

DRAFT ANNUAL BUDGET AND SUPPORTING DOCUMENTATION



DIKGATLONG MUNICIPALITY

DRAFT ANNUAL BUDGET OF

DIKGATLONG MUNICIPALITY

2012/13 TO 2014/15
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
MM	Municipal Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
M	Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

1.1 Mayor's Report

In the past three years, the world economy has gone through its deepest recession in over 70 years. Signals are that the recovery is still fragile and many commentators caution that current positive economic trends may be short-lived and that the world economy may yet experience a second recessionary wave. In the past three years the local economy has retracted as a result of the world economic activity following the Japanese Tsunami, US and Euro crisis, domestic strike activity and moderating domestic consumption. Dikgatlong Municipality was in no way immune to the harsh economic realities associated with the recession. Among the impacts are the serious cash flow challenges currently being experienced by the municipality due to among other things declining collection rates; historic expenditure patterns and a general lack of “doing business smarter”. Although the global environment remains highly uncertain while there are signs of a revival in the US economy and much of Europe is on recession and significant risks cloud the global economic outlook.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Municipal boundary. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms. An expansion in infrastructure investments is one of the central priorities of the 2012/2013 Budget (R74 mill). The budget also continues to support job creation with a particular focus on the unemployed youths.

The application of sound financial management principles for the compilation of the Dikgatlong Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

And so on...

1.2 Council Resolutions

On 10 April 2012 the Council of Dikgatlong Municipality met in the Council Chambers to consider the tabling of the draft annual budget of the municipality for the financial year 2012/13. The Council approved and adopted the following resolutions:

1. The Council of the Dikgatlong Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2012/13 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 13 on page 22;

- 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 14 on page 24;
- 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 15 on page 26; and
- 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 16 on page 28.
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 17 on page 30;
 - 1.2.2. Budgeted Cash Flows as contained in Table 18 on page 31;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 19 on page 32;
 - 1.2.4. Asset management as contained in Table 20 on page 33; and
 - 1.2.5. Basic service delivery measurement as contained in Table 21 on page 35.
2. The Council of Dikgatlong Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2012:
 - 2.1. the tariffs for property rates – as set out in Annexure A,
 - 2.2. the tariffs for electricity – as set out in Annexure B
 - 2.3. the tariffs for the supply of water – as set out in Annexure C
 - 2.4. the tariffs for sanitation services – as set out in Annexure E
 - 2.5. the tariffs for solid waste services – as set out in Annexure F
3. The Council of Dikgatlong Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2012 the tariffs for other services, as set out in Annexures G1 to G21 respectively.
4. To give proper effect to the municipality's annual budget, the Council of Dikgatlong Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
 - 4.2. That the municipality be permitted to use the unspent conditional grants and request roll overs of the current financial year's conditional grants not yet transferred for the funding of the capital programmes in respect of the 2012/13 financial.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipal's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Dikgatlong Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low-

to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. This has resulted in savings to the municipality of nearly 10 percent of the current financial year's adjusted budget. Key areas where savings were realized were on telephone and internet usage, printing, workshops, national travel, accommodation, and catering.

Dikgatlong Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 58 and 59 were used to guide the compilation of the 2012/13 MTREF.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Sedibeng Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2012/13 MTREF process; and
- Unemployment and poverties within the municipal areas.

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2012/13 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost effective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An upper limit of R10 million was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:

- Special Projects;
- Consultant Fees;
- Furniture and office equipment;
- Special Events;
- Refreshments and entertainment;
- Ad-hoc travelling; and
- Subsistence, Travelling & Conference fees (national & international).

In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2012/13 MTREF

R thousand	Adjustments Budget 2011/12	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total Operating Revenue	77,163,000	113,719,000	118,629,000	126,668,000
Total Operating Expenditure	75,533,000	81,381,000	85,094,000	88,647,000
<i>(Surplus)/Deficit for the year</i>	1,630,000	32,338,000	33,535,000	38,021,000
Total Capital Expenditure	30,359,000	75,518,000	71,569,000	73,732,000

Total operating revenue has grown by 47,38 per cent or R36,556 million for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 4.32 and 6.78 per cent respectively, equating to a total revenue growth of R49,505 million over the MTREF when compared to the 2011/12 financial year.

Total operating expenditure for the 2012/13 financial year has been appropriated at R81,381 million and translates into a budgeted surplus of R1,630 million. When compared to the 2010/11 Adjustments Budget, operational expenditure has grown by 7.74 per cent in the 2012/13 budget and by 4.56 and 4.18 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R38 million and then stabilise at R38 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R75,518 million for 2012/13 is 149 per cent higher when compared to the 2011/12 Adjustment Budget. The increase is due to various projects being not having been implemented although funding has already been received (Unspent Funds) as well as the government massive infrastructure spending and ensure poverty alleviation and to create jobs for the community. The capital programme decrease to R3,949 million in the 2013/14 financial year and then increase again in 2014/15 to R2.163 million. A substantial portion of the capital budget will be funded from MIG (Municipal Infrastructure Grant) and other sector National and Provincial Departments. The balance will be funded from internally generated funds.

1.4 Operating Revenue Framework

For Dikgatlong Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is

that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 50 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source											
Property rates	2	3 568	3 889	4 200	7 500	7 500	7 500	7 500	7 500	8 250	9 075
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	8 911	12 030	14 977	17 000	17 000	17 000	17 000	23 941	25 282	26 672
Service charges - water revenue	2	6 294	6 744	7 282	5 000	5 000	5 000	5 000	14 042	14 814	15 555
Service charges - sanitation revenue	2	1 820	2 111	2 280	2 000	2 000	2 000	2 000	3 016	3 181	3 356
Service charges - refuse revenue	2	3 770	4 147	4 479	2 000	2 000	2 000	2 000	6 770	7 142	7 535
Service charges - other		350	377	393	300	300	300	300	-	-	-
Rental of facilities and equipment		160	207	198	247	247	247	247	300	350	350
Interest earned - external investments		100	120	132	3	3	3	3	50	60	60
Interest earned - outstanding debtors		1 500	1 560	1 680	5 846	5 846	5 846	5 846	6 000	6 500	7 000
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		86	96	105	101	101	101	101	20	150	150
Licences and permits		129	144	158	-	-	-	-	-	-	-
Agency services		488	-	-	-	-	-	-	1 054	1 120	1 183

Transfers recognised – operational		20 699	27 115	34 478	30 209	36 518	36 518	36 518	50 802	51 533	55 463
Other revenue	2	939	142	149	648	648	648	648	225	246	269
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		48 812	58 681	70 512	70 854	77 163	77 163	77 163	113 719	118 629	126 668

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than 50 percent (about 55%) of the total revenue mix. In the 2011/12 financial year, revenue from rates and services charges totalled R39,4 million or 51.25 per cent. This increases to R61,259 million, R65,170 million and R69,193 million in the respective financial years of the MTREF. A notable trend is the stableness in the total percentage revenue generated from rates and services charges which stays the same at 55 per cent in 2011/12 to 55 per cent in 2015/16. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. However the increase is stabilize to the 55 per cent mark as a result of the rapid increase in equitable share. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 50 MBRR SA1 (page 92).

Electricity is the largest revenue source from services followed by water revenue. The lowest revenue source is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R51,856 million in the 2011/12 financial year and steadily increases to R56,646 million by 2015/16. Note that the year-on-year growth for the 2012/13 financial year is 38.8 per cent and then flattens out to 1.5 and 7.6 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 Operating Transfers and Grant Receipts

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
RECEIPTS:	1, 2									
- Operating Transfers and Grants										
National Government:		20 699	27 115	34 478	30 209	36 518	36 518	48 248	51 109	54 963
Local Government Equitable Share		–	–	–	–	–	–	–	–	–
Local Government Equitable Share		20 699	27 115	34 478	30 209	36 518	36 518	44 948	48 459	52 263
Finance Management								1 500	1 750	1 750

Municipal Systems Improvement		-	-	-	-	-	-	800	900	950
EPWP Incentive		-	-	-	-	-	-	1 000	-	-
Provincial Government:		-	-	-	-	-	-	1 054	1 120	1 183
Sport and Recreation		-	-	-	-	-	-	1 054	1 120	1 183
Total Operating Transfers and Grants	5	20 699	27 115	34 478	30 209	36 518	36 518	49 302	52 229	56 146

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom and Water bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 58 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- The Municipality may award a per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2012/13 financial year based on a 10 per cent increase from 1 July 2012 is contained below:

Table 4 Comparison of proposed rates to levied for the 2011/12 financial year

Category	Current Tariff (1 July 2011)	Proposed tariff (from 1 July 2012)
	C	C
State owned properties	2.95	3.245
Business & Commercial	2.35	2.585
Vacant land	2.35	2.858
Section 17g properties	2.35	2.585
Public benefit organisation properties	-	-

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Vaalharts and Sedibeng Water has increased its bulk tariffs with 12.1 per cent from 1 July 2012, which increase contributes to approximately 48 per cent of the City's water input cost.

Sedibeng Water has undertaken a critical assessment of its capital infrastructure requirements particularly for the supply of Delpoortshoop Area. The assessment indicates that Sedibeng Water's current infrastructure is unlikely to sustain its long-term ability to supply water and they had no other choice but to enter capital markets to raise capital for infrastructure upgrades, hence the significant increase in the bulk cost of water. The municipality has also undertaken to approach the Department of Water Affairs and MIG to upgrade and develop new water sources within the municipal boundaries.

A tariff increase of 10 per cent from 1 July 2012 for water is proposed. This is based on input cost assumptions of 12.1 per cent increase in the cost of bulk water (Sedibeng and Vaalharts), the cost of other inputs increasing by 8 per cent and a surplus generated on the water service of a minimum 15 per cent. In addition 6 kℓ water per 30-day period will again be granted free of charge to all residents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 5 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2011/12	PROPOSED TARIFFS 2012/13
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
(i) Basic charge	46.90	51.59
(ii) 0 to 6 kℓ per 30-day period	5.39	5.93
(ii) 6 to 20 kℓ per 30-day period	6.05	6.66
(iii) 21+ kℓ per 30-day period	7.08	7.79
(v) Deposit	313	344.30
(vi) Re –Connection Fee	238	261.80
(vii) Test of meter	313	344.30
(viii) Untreated canal water	140	154.00
NON-RESIDENTIAL		
(i) Basic charge	120.00	141.90
(ii) 0 to 6 kℓ per 30-day period	6.10	6.71
(ii) 6 to 20 kℓ per 30-day period	6.86	7.55
(iii) 21+ kℓ per 30-day period	7.15	7.86
(v) Deposit	562.00	618.20
(vi) Re –Connection Fee	421.00	463.10
(vii) Test of meter	313.00	344.30
INDUSTRIAL		
(i) Basic charge	199.40	214.34
(ii) 0 to 100 kℓ per 30-day period	5.52	6.07
(ii) 101 to 400 kℓ per 30-day period	6.10	6.71
(iii) 401+ kℓ per 30-day period	7.15	7.87
(v) Deposit	1290.00	1419.00
(vi) Re –Connection Fee	572.00	629.20
(vii) Test of meter	313.00	344.30
(viii) Untreated canal water	4.47	4.92
(viii) Temporary Connection per kl	7,89	8,68

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 13.50 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2012.

Considering the Eskom increases, the consumer tariff had to be increased by 11.03 per cent to offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 100 kWh per 30-day period free of charge. In addition those residential customers that are not registered as indigent, but that consume less than 100 kWh per 30-day period will receive 50 kWh free of charge.

The following table shows the impact of the proposed increases in electricity tariffs on the water charges for domestic customers:

Table 6 Comparison between current electricity charges and increases (Domestic)

Monthly Consumption KWH	Current Amount Payable (R)	Proposed Amount Payable (R)	Difference (Increase)	Percentage Chage
HOUSEHOLDS				
Monthly Basic Charge	128.80	142.00	13.20	10%
Unit Charge KWH	1.10	1.32	0.20	11.03%
Pre – paid	1.19	1.32	0.13	11.03%
Re – Connection Fee	298.00	328.00	30.00	10%
Test of Meter	440	484	44	10%
Tampering Penalty	952	1047	95	10%
Deposit	678	746	68	10%
BUSINESS				
Monthly Basic Charge	226.00	249.00	23.00	10%
Unit Charge KWH	1.20	1.33	0.33	11.03%
Pre – paid	1.20	1.33	0.33	11.03%
Re – Connection Fee	678.00	746.00	68	10%
Test of Meter	440	484	44	10%
Tampering Penalty	2 380	2 618	238.00	10%
Deposit	2 035.00	2 239	204	10%
INDUSTRIAL				
Monthly Basic Charge KWH	400.00	441.00	41	10%
Unit Cost KWH	1.20	1.33	0.33	11.03%
Cost per KVA	678.00	746.00	68	10%
Test of Meter	440	484	44	10%
Tampering Penalty	2 000	2 000	0	10%
Deposit	2 035.00	2 239	204	10%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the

poor). The Dikgatlong Municipality is in the process of entering into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those already being implemented by the Municipality already. Until the discussions are concluded, the Dikgatlong Municipality will maintain the current stepped structure of its electricity tariffs.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. Most of the townships and towns within the municipality reticulation network was designed or strengthened in the early 1980's and 1990's with an expected 20-25 year life-expectancy. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines. Due to the low capacity ESKOM has received the grants to upgrade the municipality's electricity networks.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply). It is estimated that special funding for electricity bulk infrastructure to the amount of R10 million per year for five years will be necessary to steer the Municipality out of this predicament.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. It is therefore proposed that the taking up of loans as a strategy for funding of the infrastructure be considered and approved to spread the burden over the life span of the assets. As part of the 2012/13 medium-term capital programme, funding has been allocated to electricity infrastructure but these funding levels will require further investigation as part of the next budget cycle in an attempt to source more funding to ensure this risk is mitigated.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 10 per cent for sanitation from 1 July 2012 is proposed. This is based on the input cost assumptions related to water. It should be noted that electricity costs contributes approximately 20 per cent of waste water treatment input costs, therefore the higher than CPI increase of 10 per cent for sanitation tariffs. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation (98 per cent of 6 kℓ water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R3,016 million for the 2012/13 financial year.

The following table compares the current and proposed tariffs:

Table 7 Comparison between current sanitation charges and increases

Description	CURRENT TARIFF 2011/12	PROPOSED TARIFF 2012/13	Difference (increase)	Percentage Increase
		R		R
VACUUM TANK – SMALL				
Households	78.00	86.00	8.00	10%
Other (business etc)	216.00	238.00	22.00	10%
VACUUM TANK – LARGE				
Households	146.00	161.00	15.00	10%
Business	224.00	246.00	22.00	10%
Industrial	254.00	279.00	25.00	10%
BUCKETS				
Households	61.00	67.00	6.00	10%
Extra per week	10.00	11.00	1.00	10%

The following table shows the impact of the proposed increases in sanitation tariffs on the sanitation charges for a single dwelling-house:

1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Dikgatlong Municipality have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 10 per cent increase in the waste removal tariff is proposed from 1 July 2012. Higher increases will not be viable in 2012/13 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 10 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2012:

Table 8 Comparison between current waste removal fees and increases

DESCRIPTION	CURRENT TARIFF 2011/12	PROPOSED TARIFF 2012/13	Difference (increase)	Percentage Increase
Households	76.00	83.60	7.60	10%
Business	173.00	190.30	17.30	10%
Industrial	160.00	176.00	16.00	10%
Garden	203.00	223.00	20.00	10%
Building Rubble	362.00	398.00	36.00	10%
Blue containers	180.00	198.00	18.00	10%
FINES				
Fine for dumping	500.00	550.00	50.00	10%
Municipal removal of dumping	750.00	825.00	75.00	10%
Cleaning of empty Stands	500.00	550.00	50.00	10%

1.4.6 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 10 and 12 per cent, with the increase for indigent households closer to 12 per cent.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

Table 9 Summary of operating expenditure by standard classification item

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Expenditure By Type	-										
Employee related costs	2	18 122	22 690	24 317	27 688	22 927	22 927	22 927	28 613	30 096	31 410
Remuneration of councillors		1 409	1 601	1 758	2 901	2 901	2 901	2 901	3 191	3 510	3 861
Debt impairment	3	691	1 578	3 063	2 606	2 606	2 606	2 606	6 000	6 500	7 000
Depreciation & asset impairment	2	-	-	-	-	-	-	-	-	-	-
Finance charges		662	701	1 879	-	-	-	-	294	400	400
Bulk purchases	2	11 851	14 919	19 942	18 000	22 800	22 800	22 800	25 001	26 376	27 687
Other materials	8	808	914	999	-	-	-	-	-	-	-
Contracted services		816	1 200	1 320	-	-	-	-	1 000	1 200	1 300
Transfers and grants	4,	-	-	-	-	-	-	-	-	-	-
Other expenditure	5	11 441	12 483	14 526	18 379	24 299	24 299	24 299	17 282	17 012	16 989
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		45 799	56 086	67 803	69 574	75 533	75 533	75 533	81 381	85 094	88 647

The budgeted allocation for employee related costs for the 2012/13 financial year totals R28, 569 million, which equals 35 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 5 per cent for the 2012/13 financial year. An annual increase of 5 per cent has been included in the two outer years of the MTREF. As part of the Municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Corporate Services Department relating to the prioritization of critical vacancies within the Municipality. The outcome of this exercise was the inclusion of R6 million in the 2012/13 financial year relating to critical and strategically important vacancies. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The settlement reached by the SALGBC parties in the salary dispute resulted in a further financial implication on this area of expenditure. No preliminary amounts has been included in the 2012/13 MTREF. It should be noted that the total financial implication could not be determined as the applicable municipal wage curve (representing equal pay for equal work at all municipalities in South Africa) has not been finalised.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 35 per cent and the Debt Write-off Policy of the Municipality. For the 2012/13 financial year this

amount equates to R6 million and escalates to R7 million by 2014/15. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. However none has been determined as the Municipality is busy with an assignment to unbundle all fixed assets in order to comply with GRAP 17. Base on the outcome of this exercise the municipality would be in a position to actually determine depreciation and asset impairment. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This will have a significant implication in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 5 per cent (R144 000) of operating expenditure excluding annual redemption for 2012/13 and increases to R144 000 by 2014/15. As previously noted, the Municipality has reached its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing – rather it is kept close to 4 per cent over the MTREF.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Contracted Services has been increase as a result of the appointment of consultants to unbundle all fixed assets and compile a GRAP 17 compliant fixed asset register. As part of the compilation of the 2012/13 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. . The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented. Further details relating to contracted services can be seen in Table 64 MBRR SA1 (see page 100).

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 5 per cent for 2012/13 and curbed at 6.2 and 5.9 per cent for the two outer years, indicating that significant cost savings have been already realised. Further details relating to contracted services can be seen in Table 64 MBRR SA1 (see page 100).

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2012/13 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the City. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

During the compilation of the 2012/13 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially decreased in the 2011/12 financial year, from R1.4 million to R0.8 million. Notwithstanding this reduction, as part of the 2012/13 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 1.5 per cent for the current financial year of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 10 Repairs and maintenance per asset class

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Repairs and Maintenance by Asset Class	3	4 009	3 705	4 232	1 695	1 465	1 465	828	784	1 281
<i>Infrastructure - Road transport</i>		126	128	141	-	-	-	50	60	60
<i>Infrastructure - Electricity</i>		692	757	832	-	-	-	50	60	60
<i>Infrastructure - Water</i>		146	159	183	-	-	-	50	60	60
<i>Infrastructure - Sanitation</i>		-	-	-	-	-	-	50	60	600
<i>Infrastructure - Other</i>		90	48	52	-	-	-	50	60	60
Infrastructure		1 054	1 092	1 208	-	-	-	250	300	840
Community		140	346	374	-	-	-	328	384	391
Heritage assets		537	665	737	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	2 279	1 602	1 912	1 695	1 465	1 465	250	100	50
TOTAL EXPENDITURE OTHER ITEMS		4 009	3 705	4 232	1 695	1 465	1 465	828	784	1 281

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 5 000 or more indigent households during the 2012/13 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page xxxxxx.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 11 2012/13 Medium-term capital budget per vote

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	12 648	16 514	25 140	28 207	29 626	29 626	75 518	71 569	73 732
<i>Infrastructure - Road transport</i>		2 644	2 238	5 000	27 310	28 729	28 729	55 917	22 298	21 310
<i>Infrastructure - Electricity</i>		3 795	952	897	897	897	897	2 897	4 242	4 897
<i>Infrastructure - Water</i>		2 149	7 902	12 400	-	-	-	500	40 000	40 000
<i>Infrastructure - Sanitation</i>		3 231	4 775	5 336	-	-	-	2 000	4 725	7 275
Infrastructure		11 819	15 867	23 633	28 207	29 626	29 626	61 314	71 265	73 482
Community		224	-	600	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	13 500	-	-
Other assets	6	605	647	907	-	-	-	520	304	250
Intangibles		-	-	-	-	-	-	184	-	-
TOTAL CAPITAL EXPENDITURE – New Assets	2	12 648	16 514	25 140	28 207	29 626	29 626	75 518	71 569	73 732
<u>Total Capital Expenditure</u>	4									
<i>Infrastructure - Road transport</i>		2 644	2 238	5 000	27 310	28 729	28 729	55 917	22 298	21 310
<i>Infrastructure - Electricity</i>		3 795	952	897	897	897	897	2 897	4 242	4 897
<i>Infrastructure - Water</i>		2 149	7 902	12 400	-	-	-	500	40 000	40 000
<i>Infrastructure - Sanitation</i>		3 231	4 775	5 336	-	-	-	2 000	4 725	7 275
<i>Infrastructure - Other</i>		-	-	-	-	-	-	-	-	-
Infrastructure		11 819	15 867	23 633	28 207	29 626	29 626	61 314	71 265	73 482
Community		224	-	600	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	13 500	-	-
Other assets		605	647	907	-	-	-	520	304	250

Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	184	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	12 648	16 514	25 140	28 207	29 626	29 626	75 518	71 569	73 732

For 2012/13 an amount of R74,814 million has been appropriated for the development of infrastructure which represents 99 per cent of the total capital budget. In the outer years this amount totals R71, 264 million, 99 per cent and R73,482 million, 99 per cent respectively for each of the financial years. Transport and roads receives the highest allocation of in 2012/13 by electricity infrastructure and then waste water (sanitation).

Total new assets represent 100% of the total capital budget. Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management) on page xxxx. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class (refer to pages xxxxxx).

Figure 1 Capital Infrastructure Programme

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 61 MBRR SA35 on page xxxxxx. It needs to be noted that as part of the 2012/13 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.7 Annual Budget Tables - Parent Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2012/13 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 12 MBRR Table A1 - Budget Summary

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Financial Performance</u>										
Property rates	3 568	3 889	4 200	7 500	7 500	7 500	7 500	7 500	8 250	9 075
Service charges	21 144	25 409	29 411	26 300	26 300	26 300	26 300	47 768	50 419	53 118
Investment revenue	100	120	132	3	3	3	3	50	60	60
Transfers recognised - operational	20 699	27 115	34 478	30 209	36 518	36 518	36 518	50 802	51 533	55 463
Other own revenue	3 301	2 148	2 291	6 842	6 842	6 842	6 842	7 599	8 366	8 952
	48 812	58 681	70 512	70 854	77 163	77 163	77 163	113 719	118 629	126 668
Total Revenue (excluding capital transfers and contributions)										
Employee costs	18 122	22 690	24 317	27 688	22 927	22 927	22 927	28 613	30 096	31 410
Remuneration of councillors	1 409	1 601	1 758	2 901	2 901	2 901	2 901	3 191	3 510	3 861
Depreciation & asset impairment	-	-	-	-	-	-	-	-	-	-
Finance charges	662	701	1 879	-	-	-	-	294	400	400
Materials and bulk purchases	12 659	15 833	20 941	18 000	22 800	22 800	22 800	25 001	26 376	27 687
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	12 948	15 261	18 909	20 985	26 905	26 905	26 905	24 282	24 712	25 289
Total Expenditure	45 799	56 086	67 803	69 574	75 533	75 533	75 533	81 381	85 094	88 647
Surplus/(Deficit)	3 013	2 595	2 709	1 280	1 630	1 630	1 630	32 338	33 535	38 021
Transfers recognised - capital	15 016	15 867	23 863	27 340	28 729	28 729	28 729	43 180	71 341	73 482
Contributions recognised - capital & contributed assets	(12 115)	(15 913)	(24 539)	(28 620)	(30 359)	(30 359)	(30 359)	(75 518)	(71 569)	(73 732)
	5 914	2 549	2 033	(0)	0	(0)	(0)	(0)	33 307	37 771
Surplus/(Deficit) after capital transfers & contributions										
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	5 914	2 549	2 033	(0)	0	(0)	(0)	(0)	33 307	37 771
<u>Capital expenditure & funds sources</u>										
Capital expenditure	15 016	16 097	23 863	28 620	30 359	30 359	30 359	75 518	71 569	73 732
Transfers recognised - capital	13 618	15 867	23 633	27 340	28 729	28 729	28 729	74 814	71 265	73 482
Public contributions & donations	1 053	-	-	-	-	-	-	-	-	-
Borrowing	345	-	-	-	-	-	-	-	-	-
Internally generated funds	-	1 111	1 136	1 280	1 630	1 630	1 630	704	304	250
Total sources of capital funds	15 016	16 978	24 769	28 620	30 359	30 359	30 359	75 518	71 569	73 732
<u>Financial position</u>										
Total current assets	-	-	-	43 267	43 267	43 267	43 267	52 067	56 844	59 896
Total non current assets	2 349	2 902	4 455	31 988	3 468	31 988	31 988	157 701	143 369	146 071
Total current liabilities	-	-	-	17 171	17 171	17 171	17 171	17 299	25 956	23 752
Total non current liabilities	-	-	-	1 102	1 102	1 102	1 102	1 500	3 500	3 500
Community wealth/Equity	1 000	1 000	1 000	11 869	11 869	11 869	11 869	12 522	13 774	14 545
<u>Cash flows</u>										
Net cash from (used) operating	11 963	17 054	24 984	28 619	27 816	27 816	27 816	44 823	77 539	84 302
Net cash from (used) investing	(15 016)	(16 743)	(24 769)	(28 620)	(28 620)	(28 620)	(28 620)	(75 518)	(71 569)	(73 732)

Net cash from (used) financing	115	(230)	(230)	500	500	500	500	(1 500)	(1 500)	(1 500)
Cash/cash equivalents at the year end	4 819	4 900	4 885	5 385	4 581	4 582	4 582	(27 614)	(23 144)	(14 074)
Cash backing/surplus reconciliation										
Cash and investments available	2 349	2 902	4 455	26 551	26 551	26 551	26 551	31 269	33 149	34 759
Application of cash and investments	-	-	-	(8 167)	(5 202)	(5 202)	(5 202)	1 567	8 036	4 060
Balance - surplus (shortfall)	2 349	2 902	4 455	34 718	31 753	31 753	31 753	29 702	25 113	30 699
Asset management										
Asset register summary (WDV)	-	-	-	28 829	28 829	28 829	75 518	75 518	71 569	73 732
Depreciation & asset impairment	-	-	-	-	-	-	-	-	-	-
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	4 009	3 705	4 232	1 695	1 465	1 465	828	828	784	1 281
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	1 200	1 200	1 266	1 336
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

- Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - Capital expenditure is balanced by capital funding sources, of which
 - Transfers recognised is reflected on the Financial Performance Budget;
 - Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
- The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and

consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2013/14, when a small surplus is reflected.

5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2013/14 the water backlog will have been very nearly eliminated.

Table 13 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1									
Revenue - Standard										
<i>Governance and administration</i>		28 136	34 546	42 728	97 545	105 243	105 243	62 748	67 059	72 248
Executive and council		27 922	34 306	42 465	-	-	-	-	-	-
Budget and treasury office		214	240	264	97 545	105 243	105 243	62 748	67 059	72 248
Corporate services		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		986	320	910	-	-	-	1 112	1 188	1 272
Community and social services		761	64	669	-	-	-	1 112	1 188	1 272
Sport and recreation		175	184	187	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		50	72	55	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		2 649	2 244	5 012	-	-	-	40 771	22 336	21 350
Planning and development		-	-	-	-	-	-	36	38	40
Road transport		2 649	2 244	5 012	-	-	-	40 735	22 298	21 310
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		30 319	39 038	48 044	-	-	-	52 268	99 386	105 290
Electricity		12 849	13 133	16 025	-	-	-	25 941	29 524	31 569
Water		8 649	14 872	19 924	-	-	-	14 542	54 814	55 555
Waste water management		5 051	6 886	7 616	-	-	-	3 016	3 181	3 356
Waste management		3 770	4 147	4 479	-	-	-	8 770	11 867	14 810
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	62 090	76 148	96 695	97 545	105 243	105 243	156 899	189 970	200 160
Expenditure - Standard	-									
<i>Governance and administration</i>		23 312	25 421	31 389	49 105	55 853	55 853	37 545	41 364	45 219
Executive and council		22 182	18 397	22 574	7 164	6 971	6 971	8 497	9 186	9 751
Budget and treasury office		1 130	5 441	6 804	38 767	46 657	46 657	21 969	24 747	27 824
Corporate services		-	1 582	2 011	3 174	2 225	2 225	7 079	7 431	7 644
<i>Community and public safety</i>		3 241	4 938	5 378	6 048	6 749	6 749	3 632	3 841	3 940
Community and social services		1 582	2 967	3 258	3 824	3 249	3 249	3 632	3 841	3 940
Sport and recreation		1 266	1 445	1 551	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		393	526	570	2 224	3 500	3 500	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		4 189	5 451	8 271	28 063	29 960	29 960	75 916	29 017	28 293
Planning and development		-	1 961	1 883	791	1 518	1 518	19 242	5 944	6 174
Road transport		4 189	3 489	6 388	27 272	28 442	28 442	56 674	23 073	22 119
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		31 348	40 338	51 657	14 329	12 681	12 681	39 806	82 441	84 927
Electricity		12 858	12 844	15 610	2 234	2 234	2 234	23 602	26 037	27 881
Water		9 894	17 067	24 387	5 667	4 491	4 491	10 419	50 422	50 805
Waste water management		6 880	8 280	9 211	6 428	5 956	5 956	5 343	5 585	5 825
Waste management		1 716	2 147	2 450	-	-	-	443	397	417
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	62 090	76 148	96 695	97 545	105 244	105 244	156 900	156 663	162 379
Surplus/(Deficit) for the year		(0)	(0)	-	-	(0)	(0)	(0)	33 307	37 781

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Table 14 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Revenue by Vote</u>	1									
Vote 1 - MAYOR AND COUNCIL		24 267	31 006	38 681	-	-	-	-	-	-
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		3 655	3 300	3 784	-	-	-	-	-	-
Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER (CFO)		214	240	264	97 545	105 243	105 243	62 748	67 059	72 248
Vote 4 - CORPORATE SERVICES		502	15	15	-	-	-	1 062	1 128	1 192
Vote 5 - TECHNICAL SERVICES		33 452	41 587	53 952	-	-	-	93 089	121 782	126 720
Total Revenue by Vote	2	62 090	76 148	96 695	97 545	105 243	105 243	156 899	189 970	200 160
<u>Expenditure by Vote to be appropriated</u>	1									
Vote 1 - MAYOR AND COUNCIL		7 248	10 661	13 542	6 047	6 410	6 410	7 448	7 948	8 466
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		14 668	7 413	8 652	1 118	561	561	1 049	1 238	1 285
Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER (CFO)		1 129	5 441	6 804	38 767	46 657	46 657	21 969	24 747	27 824
Vote 4 - CORPORATE SERVICES		1 371	3 224	3 229	4 478	3 314	3 314	8 513	8 962	9 204
Vote 5 - TECHNICAL SERVICES		37 674	49 409	64 468	47 137	48 302	48 302	117 920	113 768	115 600
Total Expenditure by Vote	2	62 090	76 148	96 695	97 545	105 244	105 244	156 900	156 663	162 379
Surplus/(Deficit) for the year	2	-	-	-	0	(0)	(0)	(0)	33 307	37 781

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Dikgatlong Municipality. This

means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 15 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source											
Property rates	2	3 568	3 889	4 200	7 500	7 500	7 500	7 500	7 500	8 250	9 075
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	8 911	12 030	14 977	17 000	17 000	17 000	17 000	23 941	25 282	26 672
Service charges - water revenue	2	6 294	6 744	7 282	5 000	5 000	5 000	5 000	14 042	14 814	15 555
Service charges - sanitation revenue	2	1 820	2 111	2 280	2 000	2 000	2 000	2 000	3 016	3 181	3 356
Service charges - refuse revenue	2	3 770	4 147	4 479	2 000	2 000	2 000	2 000	6 770	7 142	7 535
Service charges - other		350	377	393	300	300	300	300	-	-	-
Rental of facilities and equipment		160	207	198	247	247	247	247	300	350	350
Interest earned - external investments		100	120	132	3	3	3	3	50	60	60
Interest earned - outstanding debtors		1 500	1 560	1 680	5 846	5 846	5 846	5 846	6 000	6 500	7 000
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		86	96	105	101	101	101	101	20	150	150
Licences and permits		129	144	158	-	-	-	-	-	-	-
Agency services		488	-	-	-	-	-	-	1 054	1 120	1 183
Transfers recognised - operational		20 699	27 115	34 478	30 209	36 518	36 518	36 518	50 802	51 533	55 463
Other revenue	2	939	142	149	648	648	648	648	225	246	269
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		48 812	58 681	70 512	70 854	77 163	77 163	77 163	113 719	118 629	126 668
Expenditure By Type											
Employee related costs	2	18 122	22 690	24 317	27 688	22 927	22 927	22 927	28 613	30 096	31 410
Remuneration of councillors		1 409	1 601	1 758	2 901	2 901	2 901	2 901	3 191	3 510	3 861
Debt impairment	3	691	1 578	3 063	2 606	2 606	2 606	2 606	6 000	6 500	7 000
Depreciation & asset impairment	2	-	-	-	-	-	-	-	-	-	-
Finance charges		662	701	1 879	-	-	-	-	294	400	400
Bulk purchases	2	11 851	14 919	19 942	18 000	22 800	22 800	22 800	25 001	26 376	27 687
Other materials	8	808	914	999	-	-	-	-	-	-	-
Contracted services		816	1 200	1 320	-	-	-	-	1 000	1 200	1 300
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	11 441	12 483	14 526	18 379	24 299	24 299	24 299	17 282	17 012	16 989
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		45 799	56 086	67 803	69 574	75 533	75 533	75 533	81 381	85 094	88 647
Surplus/(Deficit)		3 013	2 595	2 709	1 280	1 630	1 630	1 630	32 338	33 535	38 021
Transfers recognised - capital		15 016	15 867	23 863	27 340	28 729	28 729	28 729	43 180	71 341	73 482
Contributions recognised - capital	6	(12 115)	(15 913)	(24 539)	(28 620)	(30 359)	(30 359)	(30 359)	(75 518)	(71 569)	(73 732)
Contributed assets		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		5 914	2 549	2 033	(0)	0	(0)	(0)	(0)	33 307	37 771
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		5 914	2 549	2 033	(0)	0	(0)	(0)	(0)	33 307	37 771
Attributable to minorities		-	-	-	-	-	-	-	-	-	-

Surplus/(Deficit) attributable to municipality		5 914	2 549	2 033	(0)	0	(0)	(0)	(0)	33 307	37 771
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		5 914	2 549	2 033	(0)	0	(0)	(0)	(0)	33 307	37 771

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R156,899 million in 2012/13 and escalates to R200,150 million by 2014/15. This represents a year-on-year increase of 47.5 per cent for the 2012/13 financial year and 20 per cent for the 2013/14 financial year and 5.5 per cent for the 2014/2015 financial year.
2. It remains relatively constant over the medium-term and tariff increases have been factored in at 10 per cent, 9 per cent and 9 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Dikgatlong Municipality. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 10 per cent per year. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.

Figure 2 Expenditure by major type

5. Bulk purchases have significantly increased over the 2008/09 to 2011/12 period escalating from R11.9 million to R17 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from Sedibeng and Vaalharts.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 16 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Capital expenditure - Vote Multi-year expenditure to be appropriated</u>	2										
Vote 1 - MAYOR AND COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER (CFO)		-	-	-	-	-	-	-	-	-	-
Vote 4 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - TECHNICAL SERVICES		-	-	-	-	-	-	-	50 317	67 023	48 635
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	50 317	67 023	48 635
<u>Single-year expenditure to be appropriated</u>	2										
Vote 1 - MAYOR AND COUNCIL		-	-	-	480	480	480	480	18	-	-
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER (CFO)		-	-	-	800	1 150	1 150	1 150	50	-	-
Vote 4 - CORPORATE SERVICES		-	-	-	-	-	-	-	236	79	20
Vote 5 - TECHNICAL SERVICES		15 016	16 097	23 863	27 340	28 729	28 729	28 729	24 897	4 467	25 077
Capital single-year expenditure sub-total		15 016	16 097	23 863	28 620	30 359	30 359	30 359	25 201	4 546	25 097
Total Capital Expenditure - Vote		15 016	16 097	23 863	28 620	30 359	30 359	30 359	75 518	71 569	73 732
<u>Capital Expenditure - Standard</u>											
<i>Governance and administration</i>		-	-	-	1 280	1 630	1 630	1 630	304	79	20
Executive and council		-	-	-	480	480	480	480	18	-	-
Budget and treasury office		-	-	-	800	1 150	1 150	1 150	50	-	-
Corporate services		-	-	-	-	-	-	-	236	79	20
<i>Community and public safety</i>		1 923	-	-	-	-	-	-	13 730	210	205
Community and social services		1 923	-	-	-	-	-	-	220	210	205
Housing		-	-	-	-	-	-	-	13 510	-	-
<i>Economic and environmental services</i>		5 247	2 238	5 000	27 340	28 729	28 729	28 729	56 087	22 308	21 320
Planning and development		-	-	-	-	-	-	-	170	10	10
Road transport		5 247	2 238	5 000	27 340	28 729	28 729	28 729	55 917	22 298	21 310
<i>Trading services</i>		7 845	13 858	18 863	-	-	-	-	5 397	48 972	52 187
Electricity		2 702	1 182	1 127	-	-	-	-	2 897	4 242	4 897

Water		1 201	7 902	12 400	-	-	-	-	500	40 005	40 015
Waste management		3 942	4 775	5 336	-	-	-	-	2 000	4 725	7 275
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure – Standard	3	15 016	16 097	23 863	28 620	30 359	30 359	30 359	75 518	71 569	73 732
Funded by:											
National Government		9 825	13 367	22 233	27 340	28 729	28 729	28 729	74 814	71 265	73 482
Provincial Government		1 405	-	-	-	-	-	-	-	-	-
District Municipality		2 388	2 500	400	-	-	-	-	-	-	-
Transfers recognised - capital	4	13 618	15 867	23 633	27 340	28 729	28 729	28 729	74 814	71 265	73 482
Public contributions & donations	5	1 053	-	-	-	-	-	-	-	-	-
Borrowing	6	345	-	-	-	-	-	-	-	-	-
Internally generated funds		-	1 111	1 136	1 280	1 630	1 630	1 630	704	304	250
Total Capital Funding	7	15 016	16 978	24 769	28 620	30 359	30 359	30 359	75 518	71 569	73 732

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2012/13 R704 000 has been allocated of the total R75,5518 million capital budget, which totals less the 1 per cent. Single-year capital expenditure has been appropriated at R75,518 million for the 2012/13 financial year and remains relatively constant over the MTREF. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Dikgatlong Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
3. The capital programme is mostly funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses.

Table 17 MBRR Table A6 - Budgeted Financial Position

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
ASSETS											
Current assets											
Cash		-	-	-	4 885	4 885	4 885	4 885	7 572	7 988	8 827
Call investment deposits	1	-	-	-	18 298	18 298	18 298	18 298	20 144	21 252	21 805
Consumer debtors	1	-	-	-	20 084	20 084	20 084	20 084	24 351	27 604	29 265
Total current assets		-	-	-	43 267	43 267	43 267	43 267	52 067	56 844	59 896
Non current assets											
Investments		2 349	2 902	4 455	3 368	3 368	3 368	3 368	3 553	3 908	4 127
Property, plant and equipment	3	-	-	-	-	-	-	-	73 630	67 892	68 212
Intangible		-	-	-	100	100	100	100	184	39	-
Other non-current assets		-	-	-	28 520	-	28 520	28 520	80 334	71 530	73 732
Total non current assets		2 349	2 902	4 455	31 988	3 468	31 988	31 988	157 701	143 369	146 071
TOTAL ASSETS		2 349	2 902	4 455	75 255	46 735	75 255	75 255	209 768	200 214	205 967
LIABILITIES											
Current liabilities											
Borrowing	4	-	-	-	2 545	2 545	2 545	2 545	2 799	2 956	3 252
Consumer deposits		-	-	-	1 500	1 500	1 500	1 500	1 500	1 500	1 500
Trade and other payables	4	-	-	-	10 520	10 520	10 520	10 520	7 000	15 000	12 000
Provisions		-	-	-	2 606	2 606	2 606	2 606	6 000	6 500	7 000
Total current liabilities		-	-	-	17 171	17 171	17 171	17 171	17 299	25 956	752
Non current liabilities											
Borrowing		-	-	-	-	-	-	-	-	-	-
Provisions		-	-	-	1 102	1 102	1 102	1 102	1 500	3 500	3 500
Total non current liabilities		-	-	-	1 102	1 102	1 102	1 102	1 500	3 500	3 500
TOTAL LIABILITIES		-	-	-	18 273	18 273	18 273	18 273	18 799	29 456	27 252
NET ASSETS	5	2 349	2 902	4 455	56 982	28 462	56 982	56 982	190 969	170 758	178 716
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		1 000	1 000	1 000	11 869	11 869	11 869	11 869	12 522	13 774	14 545
Reserves	4	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	1 000	1 000	1 000	11 869	11 869	11 869	11 869	12 522	13 774	14 545

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in

order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 18 MBRR Table A7 - Budgeted Cash Flow Statement

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		22 496	29 680	34 222	34 241	28 241	28 241	28 241	23 062	31 483	35 104
Government - operating	1	22 429	29 232	37 243	42 223	43 139	43 139	43 139	51 856	51 109	54 963
Government - capital	1	11 818	15 867	23 633	15 233	22 015	22 015	22 015	43 180	71 341	73 482
Interest		2 667	1 680	1 812	5 848	5 848	5 848	5 848	2 400	2 600	2 800
Payments											
Suppliers and employees		(46 785)	(58 703)	(70 047)	(68 776)	(71 277)	(71 277)	(71 277)	(75 381)	(78 594)	(81 647)
Finance charges		(662)	(701)	(1 879)	(150)	(150)	(150)	(150)	(294)	(400)	(400)
NET CASH FROM/(USED) OPERATING ACTIVITIES		11 963	17 054	24 984	28 619	27 816	27 816	27 816	44 823	77 539	84 302
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Payments											
Capital assets		(15 016)	(16 743)	(24 769)	(28 620)	(28 620)	(28 620)	(28 620)	(75 518)	(71 569)	(73 732)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(15 016)	(16 743)	(24 769)	(28 620)	(28 620)	(28 620)	(28 620)	(75 518)	(71 569)	(73 732)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		345	-	-	-	-	-	-	-	-	-

Increase (decrease) in consumer deposits		-	-	-	1 500	1 500	1 500	1 500	1 500	1 500	1 500
Payments											
Repayment of borrowing		(230)	(230)	(230)	(1 000)	(1 000)	(1 000)	(1 000)	(3 000)	(3 000)	(3 000)
NET CASH FROM/(USED) FINANCING ACTIVITIES		115	(230)	(230)	500	500	500	500	(1 500)	(1 500)	(1 500)
NET INCREASE/ (DECREASE) IN CASH HELD		(2 937)	81	(15)	499	(304)	(304)	(304)	(32 195)	4 470	9 070
Cash/cash equivalents at the year begin:	2	7 756	4 819	4 900	4 885	4 885	4 885	4 885	4 582	(27 614)	(23 144)
Cash/cash equivalents at the year end:	2	4 819	4 900	4 885	5 385	4 581	4 582	4 582	(27 614)	(23 144)	(14 074)

Table 19 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Cash and investments available											
Cash/cash equivalents at the year end	1	4 819	4 900	4 885	5 385	4 581	4 582	4 582	(27 614)	(23 144)	(14 074)
Other current investments > 90 days		(4 819)	(4 900)	(4 885)	17 799	18 602	18 602	18 601	55 329	52 384	44 705
Non current assets – Investments	1	2 349	2 902	4 455	3 368	3 368	3 368	3 368	3 553	3 908	4 127
Cash and investments available:		2 349	2 902	4 455	26 551	26 551	26 551	26 551	31 269	33 149	34 759
Application of cash and investments											
Unspent conditional transfers		-	-	-	-	-	-	-	-	8 000	5 000
Statutory requirements	2	-	-	-	-	-	-	-	(2 000)	(2 000)	(2 000)
Other working capital requirements	3	-	-	-	(8 167)	(5 202)	(5 202)	(5 202)	(3 933)	(7 964)	(9 440)
Other provisions		-	-	-	-	-	-	-	1 500	3 500	3 500
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	6 000	6 500	7 000
Total Application of cash and investments:		-	-	-	(8 167)	(5 202)	(5 202)	(5 202)	1 567	8 036	4 060
Surplus(shortfall)		2 349	2 902	4 455	34 718	31 753	31 753	31 753	29 702	25 113	30 699

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality fell significantly over the 2008/09 to 2009/10 period owing directly to a net decrease in cash for the 2010/11 and 2011/2012 has show an increase in cash reserves and stability.

4. The approved 2012/13 MTREF provide for a further relative small increase in cash of R4,885 million for the 2011/12 financial year resulting in an overall projected positive cash position of R4,582 million at year end.
5. As part of the 2011/12 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
6. In addition the Municipality undertook an extensive debt collection drive resulting in cash receipts on arrear debtors. These interventions translated will result in an increase in the municipality's cash position.
7. The 2012/13 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
8. Cash and cash equivalents totals a negative R27,614 million as at the end of the 2011/12 financial year and improve to an negative R14,064 million by 2014/15.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 58 & 59 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2008/09 to 2011/12 the surplus increase from R1.239 million to R31,713 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2012/13 MTREF was not funded owing to the significant deficit.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2012/13 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table 20 MBRR Table A9 - Asset Management

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	12 648	16 514	25 140	28 207	29 626	29 626	75 518	71 569	73 732
Infrastructure - Road transport		2 644	2 238	5 000	27 310	28 729	28 729	55 917	22 298	21 310
Infrastructure - Electricity		3 795	952	897	897	897	897	2 897	4 242	4 897
Infrastructure - Water		2 149	7 902	12 400	-	-	-	500	40 000	40 000
Infrastructure - Sanitation		3 231	4 775	5 336	-	-	-	2 000	4 725	7 275
Infrastructure		11 819	15 867	23 633		29 626	29 626	61 314	71 265	73 482

Community	6	224	-	600	28 207	-	-	-	-	-
Investment properties		-	-	-	-	-	-	13 500	-	-
Other assets		605	647	907	-	-	-	520	304	250
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	184	-	-
Total Renewal of Existing Assets	2	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4									
Infrastructure - Road transport		2 644	2 238	5 000	27 310	28 729	28 729	55 917	22 298	21 310
Infrastructure - Electricity		3 795	952	897	897	897	897	2 897	4 242	4 897
Infrastructure - Water		2 149	7 902	12 400	-	-	-	500	40 000	40 000
Infrastructure - Sanitation		3 231	4 775	5 336	-	-	-	2 000	4 725	7 275
Infrastructure		11 819	15 867	23 633	28 207	29 626	29 626	61 314	71 265	73 482
Community		224	-	600	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	13 500	-	-
Other assets		605	647	907	-	-	-	520	304	250
Intangibles		-	-	-	-	-	-	184	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	12 648	16 514	25 140	28 207	29 626	29 626	75 518	71 569	73 732
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport		-	-	-	28 729	28 729	28 729	55 917	22 298	21 310
Infrastructure - Electricity		-	-	-	-	-	-	2 897	4 242	4 897
Infrastructure - Water		-	-	-	-	-	-	500	40 000	40 000
Infrastructure - Other		-	-	-	-	-	-	15 500	4 725	7 275
Infrastructure		-	-	-	28 729	28 729	28 729	74 814	71 265	73 482
Other assets		-	-	-	-	-	-	520	265	250
Intangibles		-	-	-	100	100	100	184	39	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	-	-	-	28 829	28 829	28 829	75 518	71 569	73 732
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		-	-	-	-	-	-	-	-	-
Repairs and Maintenance by Asset Class	3	4 009	3 705	4 232	1 695	1 465	1 465	828	784	1 281
Infrastructure - Road transport		126	128	141	-	-	-	50	60	60
Infrastructure - Electricity		692	757	832	-	-	-	50	60	60
Infrastructure - Water		146	159	183	-	-	-	50	60	60
Infrastructure - Sanitation		-	-	-	-	-	-	50	60	600

Infrastructure - Other		90	48	52	-	-	-	50	60	60
Infrastructure		1 054	1 092	1 208	-	-	-	250	300	840
Community		140	346	374	-	-	-	328	384	391
Heritage assets		537	665	737	-	-	-	-	-	-
Other assets	6, 7	2 279	1 602	1 912	1 695	1 465	1 465	250	100	50
TOTAL EXPENDITURE OTHER ITEMS		4 009	3 705	4 232	1 695	1 465	1 465	828	784	1 281
<i>Renewal of Existing Assets as % of total capex</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Renewal of Existing Assets as % of deprecn"</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>R&M as a % of PPE</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	1.2%	1.9%
<i>Renewal and R&M as a % of PPE</i>		0.0%	0.0%	0.0%	6.0%	5.0%	5.0%	1.0%	1.0%	2.0%

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Dikgatlong Municipality does not meet both these recommendations as the municipality is busy assessing the condition of all its infrastructure assets.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Dikgatlong Municipality's strategy to address the maintenance backlog.

Table 21 MBRR Table A10 - Basic Service Delivery Measurement

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)		-	-	-	-	-	-	400	422	445
Electricity/other energy (50kwh per household per month)		-	-	-	-	-	-	800	844	890
Total cost of FBS provided (minimum social package)		-	-	-	-	-	-	1 200	1 266	1 336

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The budget provides for 5 000 households to be registered as indigent in 2012/13, and therefore entitled to receiving Free Basic Services. The number is set to increase to 6 000 households given the rapid rate of in-migration to the Municipality, especially by poor people seeking economic opportunities.
3. It is anticipated that these Free Basic Services will cost the municipality R1,2 million in 2012/13, increasing to R1.33 million in 2014/14. This is covered by the municipality's equitable share allocation from national government.
4. In addition to the Free Basic Services, the Municipality also 'gives' households R70 000 in free services in 2012/32, and it increases to R120 000 in 2014/15. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 1 per cent of total operating revenue.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 25 August 2010. Key dates applicable to the process were:

- **August 2011** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2011/12 MTREF;
- **November 2011** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2012** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2012** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **28 January 2012** - Council considers the 2011/12 Mid-year Review and Adjustments Budget;

- **February 2012** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2012/13 MTREF is revised accordingly;
- **10 April 2012** - Tabling in Council of the draft 2012/13 IDP and 2012/13 MTREF for public consultation;
- **May 2011** – Public consultation;
- **10 May 2011** - Closing date for written comments;
- **6 to 20 May 2011** – finalisation of the 2012/13 IDP and 2011/12 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **20 May 2011** - Tabling of the 2011/12 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

It started in September 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2012/13 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2012/13 MTREF, based on the approved 2011/12 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2012/13 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2011/12 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2012/13 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2012/13 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2011/12 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 58 and 59 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2012/13 MTREF as tabled before Council on 10 April 2010 for community consultation was published on the municipality's on hard copies were made available at customer care offices, municipal notice boards and various libraries. In addition a further development of this year's consultation process included the launch of community visits based consultation. The municipality is in the process of upgrading its website to ensure electronic consultation also take place..

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilised to facilitate the community consultation process from 06 to 21 May 2012, and included nine public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 100 was recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2012/13 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- Issues were raised regarding the payment of bonuses to senior managers;
- Remuneration packages of council officials were criticized as being very high, relative their private sector counterparts within the Municipality;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and
- During the community consultation process large sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

Significant changes effected in the final 2012/13 MTREF compared to the draft 2012/13 MTREF that was tabled for community consultation, include:

- The final Eskom bulk tariff increase, applicable to municipalities from 1 July 2012, was factored into the proposed consumer tariffs, applicable from 1 July 2012. This resulted in an increase of 10 per cent;
- An amount of R75,518 million was allocated in the Capital Budget to fund upgrades and new infrastructure assets;
- The SALGBC parties' settlement regarding the salary increases resulted in a preliminary amount of 5% increase in salary costs for 2012/13 financial year;
- The 2012 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations; and
- Funding was allocated to address metering discrepancies and unmetered premises.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a

municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIS);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2012/13 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 22 IDP Strategic Objectives

2011/12 Financial Year	2012/13 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation

3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water;
 - Provide public transport;
 - Provide city planning services; and
 - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective towns cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.

3.2 Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy.

5.1 Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website

5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the City;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2012/13 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 23 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand												
Good Governance	Property Rates			4 303	3 889	4 200	7 500	7 500	7 500	7 500	8 250	9 075
Sustainable Services	Service Charges: electricity revenue from tariff billings			6 191	12 181	15 128	17 000	17 000	17 000	23 941	25 285	26672
Sustainable Services	Service Charges: Water revenue from tariff billings			5 532	6 970	7 524	5 000	5 000	5 000	14 042	14 814	15 555
Sustainable Services	Service Charges: Sanitation revenue from tariff billings			1 935	2 111	2 280	2 000	2 000	2 000	3 016	3 181	3 356
Sustainable Services	Service Charges: Refuse Removal from tariff billings			3 730	4 147	4 479	2 000	2 000	2 000	6 770	1 427	7 535
Sustainable Services	Service Charges: Other Charges			229	142	149	–	–	–	–	–	–
Sustainable Services	Rental of Facilities and Equipment			361	207	198	247	247	247	300	350	350
Good Governance	Interest earned - external investments			259	120	132	3	3	3	50	60	60

Good Governance	interest earned - outstanding debtors			2 409	1 560	1 680	5 486	5 486	5 486	6 000	6 000	6 000
Sustainable Services	Licenses and permits			215	240	264	-	-	-	-	-	-
Sustainable Services	Government Grants & other subsidies			21 194	42 082	58 661	37 928	37 928	37 928	52 101	53 050	57 075
Allocations to other priorities				2								
Total Revenue (excluding capital transfers and contributions)			1	46 357	73 648	94 695	77 163	77 163	77 163	113 719	118 629	126 678

Table 24 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand												
Good Governance	Executive & Council			10 393	10 678	13 521	7 164	6 971	6 971	8 497	9 186	9 751
Good Governance	Finance & Administration			12 647	15 702	18 465	43 244	49 971	49 971	30 842	33 709	37 028
Economic Development	Planning & Development			208	322	380	791	1 518	1 518	1 690	1 783	1 846
Social Development	Cummunity & Social Services			2 233	4 423	4 809	7 574	7 661	7 661	4 860	6 251	6 494
Infrastructure	Housing			295	524	570	-	-	-	-	-	-
Safety & Security	Public Safety			106	-	-	-	-	-	-	-	-
Sustainable Services	Waste Management - Refuse			1 297	2 139	2 450	-	-	-	443	397	417

Sustainable Services	Waste Management - Sanitation			3 370	3 494	3 875	6 428	5 956	5 956	5 343	5 585	5 825
Infrastructure	Roads & Transport			532	1 249	1 388	829	610	610	757	775	809
Sustainable Services	Water			7 272	9 180	11 987	5 667	4 491	4 491	9 919	10 417	10 790
Sustainable Services	Electricity			9 095	11 694	14 483	1 337	1 337	1 337	20 705	21 795	22 984
Allocations to other priorities												
Total Expenditure			1	47 447	59 405	71 926	73 034	78 515	78 515	83 055	89 898	95 942

Table 25 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand												
Good Governance	Executive & Council	A		-	9	24	480	480	480	68	-	-
Good Governance	Finance & Administration	B		-	638	883	800	1 150	1 150	236	84	35
Economic Development	Planning & Development	C		-	-	-	-	-	-	170	10	10
Social development	Community & Social Services	D		1 923	-	-	-	-	-	220	210	205
Infrastructure	Housing	E		-	-	-	-	-	-	13 510	-	-
Safety & Security	Public Safety	F		-	-	-	-	-	-	-	-	-
Sustainable Services	Waste Management - Refuse	G		-	-	-	-	-	-	2 000	4 725	7 275

Sustainable Services	Waste Management - Sanitation	H		3 942	4 775	5 336	-	-	-	-	-	-
Infrastructure	Roads & Transport	I		5 247	2 238	5 000	27 340	28 729	28 729	55 917	22 298	21 310
Sustainable Services	Water	J		1 201	7 902	12 400	-	-	-	500	40 000	40 000
Sustainable Services	Electricity	K		2 702	1 182	1 127	897	897	897	2 897	4 242	4 897
Allocations to other priorities			3									
Total Capital Expenditure			1	15 016	16 743	24 769	29 517	31 256	31 256	75 518	71 569	73 732

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

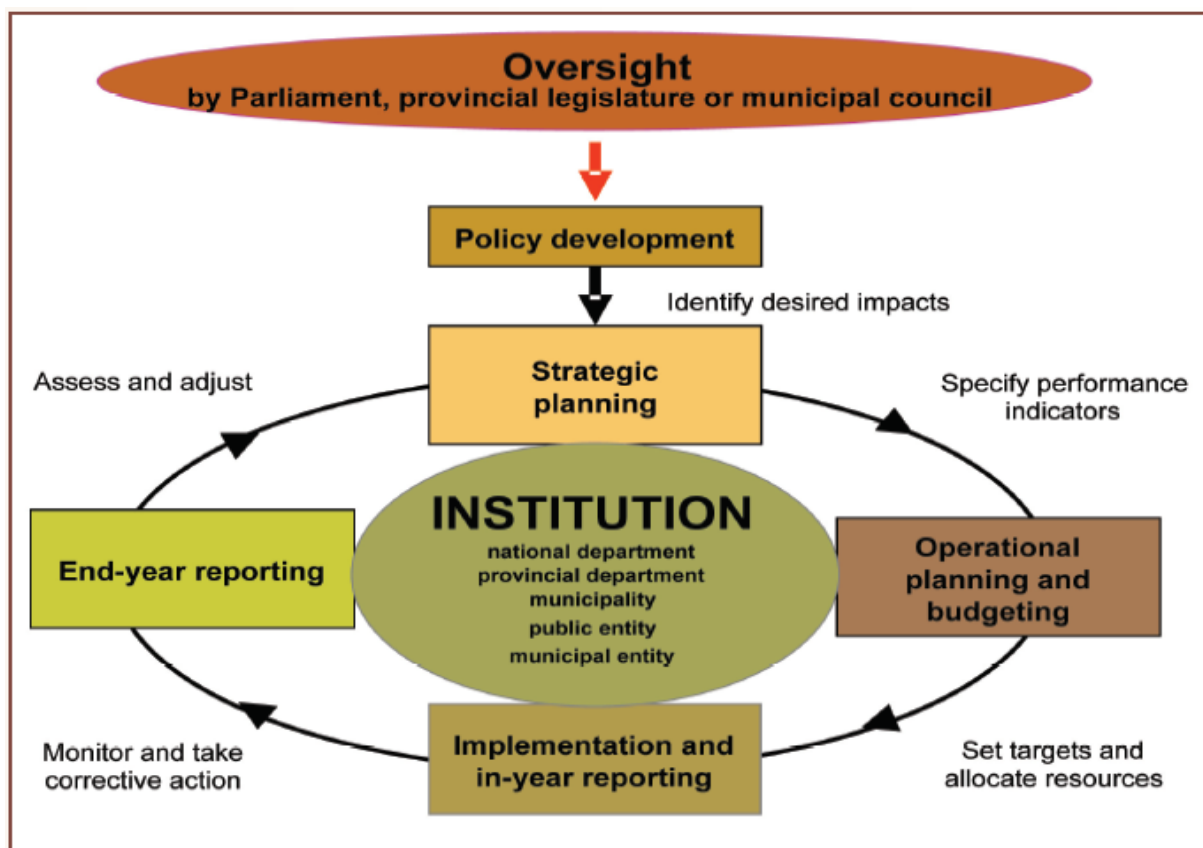


Figure 1 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

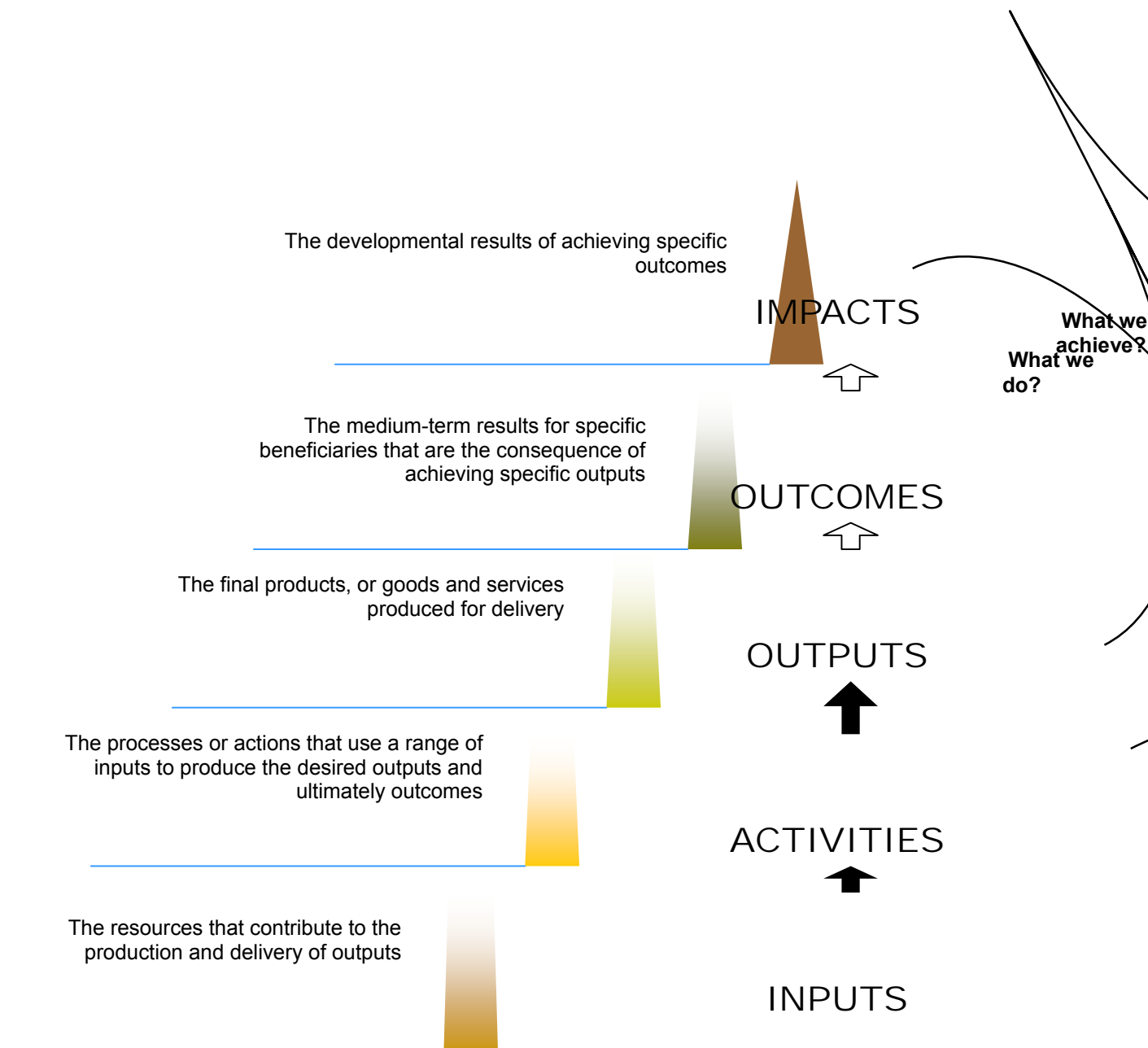


Figure 3 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

The following table sets out the municipalities main performance objectives and benchmarks for the 2012/13 MTREF.

2.3.1 Performance indicators and benchmarks

2.3.1.1 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the City has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2012/13 MTREF the current ratio is 1.2 in the 2012/13 financial year and 1.1 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2011/12 financial year the ratio was 0.2 and as part of the financial planning strategy it has been increased to 0.3 in the 2012/13 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the City. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

2.3.1.2 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.3.1.3 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the City. With the exception of water, only registered indigents qualify for the free basic services.

For the 2012/12 financial year 5 000 registered indigents have been provided for in the budget with this figured increasing to 6 000 by 2014/15. In terms of the Municipality's indigent policy

registered households are entitled to 6kℓ free water, 50 kwh of electricity, 6 kℓ sanitation and free waste removal equivalent to 85ℓ once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page xxxxx.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.3.3 Providing clean water and managing waste water

The Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. Approximately 90 per cent of the Municipality's bulk water needs are provided directly by Sedibeng and Vaalharts Waterin the form of purified water. The remaining 10 per cent is generated from the City's own water sources, such as boreholes and small dams.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

The waste water plants will require renewals/upgrading to meet the minimum Green Drop certification standards. This has been prioritised as part of the 2012/13 medium term capital budget.

The following is briefly the main challenges facing the City in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
- The filling of vacancies has commenced and the Waste Water Division will embark on an in-house training programme, especially for operational personnel;
- The Electricity Division is to install dedicated power supply lines to the plants; and
- The Division is working in consultation with the Department of Water Affairs to address catchment management.

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in October 20010 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2012/13 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 95 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.4.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Dikgatlong Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council which is in line with the Treasury Guidelines and Regulations. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipal system of delegations. The Budget and Virement Policy was approved by Council and amendments to the existing policy would be performed in the near future before the implementation of this budget.

2.4.6 Cash Management and Investment Policy

The Municipality is also in process of developing a Cash Management and Investment Policy which will be table before Council to be adopted and approval by Council in July 2012. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

2.4.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

2.4.8 Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy has directly informed the compilation of the 2012/13 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on

financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2011/12 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

All the above policies are available on the Municipalities Premises at Barkly West, Delportshoop and Windsorton, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

2.5 Overview of budget assumptions

2.5.1 External factors

Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1.8 per cent last year and about 900 000 people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven, and that growth for 2011 and 2012 will be 3.6 per cent rising to 4.0 per cent by 2013.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2012/13 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipal residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and

- The increase in the cost of remuneration. Employee related costs comprise 35.16 per cent of total operating expenditure in the 2012/13 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions on 31 July 2009 as well as the categorisation and job evaluation wage curves collective agreement signed on 21 April 2010 must be noted. Impact on future salaries would determined by the agreements of the SALGBC.

2.5.3 Credit rating outlook

Table 26 Credit rating outlook

Security class	Currency	Rating	Annual rating 2011/12	Previous Rating
Short term	Rand	Prime -1	31 March 2012	Prime -1
Long-term	Rand	Aa3	31 March 2012	Aa3
Outlook	Rand	Negative	31 March 2012	Negative

The rating definitions are:

- Short term : Prime – 1
Short-Term Debt Ratings (maturities of less than one year)
Prime-1 (highest quality)
- Long-term : Aa3
Defined as high-grade. “Aa” rated are judged to be of high quality and are subject to very low credit risk.

2.5.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The City engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2011/12 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2012/13 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

2.5.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (40 per cent) of annual billings. Cash flow is assumed to be 40 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.6 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Dikgatlong Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.5.7 Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2012. Year three is an across the board increase of 8.54 per cent. For the 2012/2013 financial year salary increases was calculated using a 6 per cent increase and would be amended when a new collective agreement regarding salaries and wages are signed

2.5.8 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2012/13 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 27 Breakdown of the operating revenue over the medium-term

Description R thousands	2011/12 Medium Term Revenue & Expenditure Framework					
	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Property rates	3,088,356	20%	3,440,147	20%	3,835,764	20%
Service charges	8,492,829	56%	9,866,101	58%	11,466,027	59%
Investment revenue	120,080	1%	64,139	0%	71,375	0%
Transfers recognised - operational	1,001,918	7%	1,118,355	7%	1,217,891	6%
Other own revenue	2,435,435	16%	2,608,992	15%	2,775,223	14%
Total Operating Revenue (excluding capital transfers and contributions)	15,138,618	100%	17,097,734	100%	19,366,281	100%
Total Operating Expenditure	14,679,924		16,538,558		18,813,187	
Surplus/(Deficit)	458,694		559,176		553,095	

Table 27 Breakdown of operating revenue over the 2011/12 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The City derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the city and economic development;
- Revenue management and enhancement;
- Achievement of a 50 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2012/13 MTREF on the different revenue categories are:

Table 28 Proposed tariff increases over the medium-term

Revenue category	2012/13 proposed tariff increase	2013/14 proposed tariff increase	2014/15 proposed tariff increase	2012/13 additional revenue for each 1% tariff increase	2012/13 additional revenue owing to 10% tariff increases	2012/13 Total Budgeted revenue
	%	%	%	R'000	R'000	R'000
Property rates	0	10	10	7,500	8,250	7,500
Sanitation	51	5.5	5.5	3,016	3,181	3,356
Solid Waste	238.5	5.5	5.5	6,770	7,142	7,535
Water	180.84	5.5	5.5	14,042	14,814	15,555
Electricity	40.8	5.5	5.5	23,941	25,282	26,672
Total				99 899	1 453 127	11 557 079

Revenue to be generated from property rates is R7.5 million in the 2012/13 financial year and increases to R9,075 million by 2014/15 which represents 21 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

The Municipality is still in a process of further data verification and validation relating to the valuation roll. In addition there are still outstanding objections, although significant progress was made in dealing with these objections in the 2010/11 financial year. It is anticipated that the process will be concluded by the end of 2012. As the levying of property rates is considered a strategic revenue source a further supplementary valuation process will be undertaken in the 2nd quarter of the 2012/13 financial year. The outcome of this initiative will be closely monitored and reported on a regular basis as part of the quarterly performance reporting.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R50 million for the 2012/13 financial year and increasing with about 12% by 2014/15. For the 2012/13 financial year services charges amount to 43 per cent of the total revenue base and grows by 2 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.

Operational grants and subsidies amount to R50 million, R55 million and R80 million for each of the respective financial years of the MTREF, or 60 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 11.6 per cent and 8.9 per cent for the two outer years. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

Table 29 MBRR SA16 – Investment particulars by maturity

Investments by Maturity	Ref	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3.	Commission Paid (Rands)	Commission Recipient	Expiry date of investment	Monetary value	Interest to be realised
Name of institution & investment ID	1	Yrs/Months								Rand thousand	
Parent municipality											
Municipality sub-total										-	-
Entities											
Entities sub-total										-	-
TOTAL INVESTMENTS AND INTEREST	1									-	-

References
 1. Total Investments must reconcile to all items in Table SA15 for the Current Year (30 June)
 2. List Investments in expiry date order
 3. If 'Variable' is selected in column F, input interest rate range

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a budgeted surplus of R Nil, R33 million and R33 million in each of the financial years. This surplus is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds.

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2012/13 medium-term capital programme:

Table 3 Sources of capital revenue over the MTREF

To Insert SA4 as contained in schedule A budget form

Figure 4 Sources of capital revenue for the 2011/12 financial year

Capital grants and receipts equates to 50 per cent of the total funding source which represents R75 million for the 2012/13 financial year and steadily decrease to R73 million or 40 per cent by 2014/15. Growth relating to grant receipts is 8.3, 7.1 and 7.7 per cent over the medium-term.

The following table is a detailed analysis of the Dikgatlong Municipality's borrowing liability.

Table 30 MBRR Table SA 17 - Detail of borrowings

Borrowing - Categorised by type	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
Parent municipality	1									
Long-Term Loans (annuity/reducing balance)		-	-	-	-	-	-	-	-	-
Long-Term Loans (non-annuity)		-	-	-	-	-	-	-	-	-
Local registered stock		-	-	-	-	-	-	-	-	-
Instalment Credit		-	-	-	-	-	-	-	-	-
Financial Leases		-	-	-	-	-	-	-	-	-
PPP liabilities		-	-	-	-	-	-	-	-	-
Finance Granted By Cap Equipment Supplier		-	-	-	-	-	-	-	-	-
Marketable Bonds		-	-	-	-	-	-	-	-	-
Non-Marketable Bonds		-	-	-	-	-	-	-	-	-
Bankers Acceptances		-	-	-	-	-	-	-	-	-
Financial derivatives		-	-	-	-	-	-	-	-	-
Other Securities		-	-	-	-	-	-	-	-	-
Municipality sub-total			-	-	-	-	-	-	-	-
Entities	1									
Long-Term Loans (annuity/reducing balance)		-	-	-	-	-	-	-	-	-
Long-Term Loans (non-annuity)		-	-	-	-	-	-	-	-	-
Local registered stock		-	-	-	-	-	-	-	-	-
Instalment Credit		-	-	-	-	-	-	-	-	-
Financial Leases		-	-	-	-	-	-	-	-	-
PPP liabilities		-	-	-	-	-	-	-	-	-
Finance Granted By Cap Equipment Supplier		-	-	-	-	-	-	-	-	-
Marketable Bonds		-	-	-	-	-	-	-	-	-
Non-Marketable Bonds		-	-	-	-	-	-	-	-	-
Bankers Acceptances		-	-	-	-	-	-	-	-	-
Financial derivatives		-	-	-	-	-	-	-	-	-
Other Securities		-	-	-	-	-	-	-	-	-
Entities sub-total			-	-	-	-	-	-	-	-
Total Borrowing	1	-	-	-	-	-	-	-	-	-
Unspent Borrowing - Categorised by type	1									
Parent municipality										
Long-Term Loans (annuity/reducing balance)		-	-	-	-	-	-	-	-	-
Long-Term Loans (non-annuity)		-	-	-	-	-	-	-	-	-
Local registered stock		-	-	-	-	-	-	-	-	-
Instalment Credit		-	-	-	-	-	-	-	-	-
Financial Leases		-	-	-	-	-	-	-	-	-
PPP liabilities		-	-	-	-	-	-	-	-	-
Finance Granted By Cap Equipment Supplier		-	-	-	-	-	-	-	-	-
Marketable Bonds		-	-	-	-	-	-	-	-	-
Non-Marketable Bonds		-	-	-	-	-	-	-	-	-
Bankers Acceptances		-	-	-	-	-	-	-	-	-
Financial derivatives		-	-	-	-	-	-	-	-	-
Other Securities		-	-	-	-	-	-	-	-	-
Municipality sub-total		-	-	-	-	-	-	-	-	-
Entities	1									
Long-Term Loans (annuity/reducing balance)		-	-	-	-	-	-	-	-	-
Long-Term Loans (non-annuity)		-	-	-	-	-	-	-	-	-
Local registered stock		-	-	-	-	-	-	-	-	-
Instalment Credit		-	-	-	-	-	-	-	-	-
Financial Leases		-	-	-	-	-	-	-	-	-
PPP liabilities		-	-	-	-	-	-	-	-	-
Finance Granted By Cap Equipment Supplier		-	-	-	-	-	-	-	-	-
Marketable Bonds		-	-	-	-	-	-	-	-	-
Non-Marketable Bonds		-	-	-	-	-	-	-	-	-
Bankers Acceptances		-	-	-	-	-	-	-	-	-
Financial derivatives		-	-	-	-	-	-	-	-	-
Other Securities		-	-	-	-	-	-	-	-	-
Entities sub-total			-	-	-	-	-	-	-	-
Total Unspent Borrowing	1	-	-	-	-	-	-	-	-	-

Figure 5 Growth in outstanding borrowing (long-term liabilities)

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below.

Table 31 MBRR Table SA 18 - Capital transfers and grant receipts

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
RECEIPTS:	1, 2									
-										
<u>Operating Transfers and Grants</u>										
National Government:		20 699	27 115	34 478	30 209	36 518	36 518	48 248	51 109	54 963
Local Government Equitable Share		20 699	27 115	34 478	30 209	36 518	36 518	44 948	48 459	52 263
Finance Management		-	-	-	-	-	-	1 500	1 750	1 750
Municipal Systems Improvement		-	-	-	-	-	-	800	900	950
EPWP Incentive		-	-	-	-	-	-	1 000	-	-
Other transfers/grants [insert description]		-	-	-	-	-	-	-	-	-
Provincial Government:		-	-	-	-	-	-	1 054	1 120	1 183
Sport and Recreation		-	-	-	-	-	-	1 054	1 120	1 183
Other transfers/grants [insert description]		-	-	-	-	-	-	-	-	-
District Municipality:										
Other grant providers:		-	-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	5	20 699	27 115	34 478	30 209	36 518	36 518	49 302	52 229	56 146
<u>Capital Transfers and Grants</u>										
National Government:		12 115	15 913	24 539	28 620	30 359	30 359	61 917	31 265	33 482
Municipal Infrastructure Grant (MIG)		12 115	15 913	24 539	28 620	30 359	30 359	59 917	29 023	30 585
Regional Bulk Infrastructure		-	-	-	-	-	-	2 000	2 242	2 897
Other capital transfers/grants [insert desc]		-	-	-	-	-	-	-	-	-
Provincial Government:		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-

Other grant providers:		-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	12 115	15 913	24 539	28 620	30 359	30 359	61 917	31 265	33 482
TOTAL RECEIPTS OF TRANSFERS & GRANTS		32 814	43 028	59 017	58 829	66 877	66 877	111 219	83 494	89 628

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 32 MBRR Table A7 - Budget cash flow statement

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		22 496	29 680	34 222	34 241	28 241	28 241	28 241	23 062	31 483	35 104
Government - operating	1	22 429	29 232	37 243	42 223	43 139	43 139	43 139	51 856	51 109	54 963
Government - capital	1	11 818	15 867	23 633	15 233	22 015	22 015	22 015	43 180	71 341	73 482
Interest		2 667	1 680	1 812	5 848	5 848	5 848	5 848	2 400	2 600	2 800
Payments											
Suppliers and employees		(46 785)	(58 703)	(70 047)	(68 776)	(71 277)	(71 277)	(71 277)	(75 381)	(78 594)	(81 647)
Finance charges		(662)	(701)	(1 879)	(150)	(150)	(150)	(150)	(294)	(400)	(400)
NET CASH FROM/(USED) OPERATING ACTIVITIES		11 963	17 054	24 984	28 619	27 816	27 816	27 816	44 823	77 539	84 302
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Payments											
Capital assets		(15 016)	(16 743)	(24 769)	(28 620)	(28 620)	(28 620)	(28 620)	(75 518)	(71 569)	(73 732)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(15 016)	743	(24 769)	(28 620)	(28 620)	(28 620)	(28 620)	(75 518)	(71 569)	(73 732)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		345	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	1 500	1 500	1 500	1 500	1 500	1 500	1 500
Payments											

Repayment of borrowing		(230)	(230)	(230)	(1 000)	(1 000)	(1 000)	(1 000)	(3 000)	(3 000)	(3 000)
NET CASH FROM/(USED) FINANCING ACTIVITIES		115	(230)	(230)	500	500	500	500	(1 500)	(1 500)	(1 500)
NET INCREASE/ (DECREASE) IN CASH HELD		(2 937)	81	(15)	499	(304)	(304)	(304)	(32 195)	4 470	9 070
Cash/cash equivalents at the year begin:	2	7 756	4 819	4 900	4 885	4 885	4 885	4 885	4 582	(27 614)	(23 144)
Cash/cash equivalents at the year end:	2	4 819	4 900	4 885	5 385	4 581	4 582	4 582	(27 614)	(23 144)	(14 074)

9. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
10. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
11. It can be seen that the cash levels of the Municipality fell significantly over the 2008/09 to 2009/10 period owing directly to a net decrease in cash for the 2010/11 and 2011/2012 has show an increase in cash reserves and stability.
12. The approved 2012/13 MTREF provide for a further relative small increase in cash of R4,885 million for the 2011/12 financial year resulting in an overall projected positive cash position of R4,582 million at year end.
13. As part of the 2011/12 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
14. In addition the Municipality undertook an extensive debt collection drive resulting in cash receipts on arrear debtors. These interventions translated will result in an increase in the municipality's cash position.
15. The 2012/13 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
16. Cash and cash equivalents totals a negative R27,614 million as at the end of the 2011/12 financial year and improve to an negative R14,064 million by 2014/15.

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years

there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 33 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Cash and investments available											
Cash/cash equivalents at the year end	1	4 819	4 900	4 885	5 385	4 581	4 582	4 582	(27 614)	(23 144)	(14 074)
Other current investments > 90 days		(4 819)	(4 900)	(4 885)	17 799	18 602	18 602	18 601	55 329	52 384	44 705
Non current assets – Investments	1	2 349	2 902	4 455	3 368	3 368	3 368	3 368	3 553	3 908	4 127
Cash and investments available:		2 349	2 902	4 455	26 551	26 551	26 551	26 551	31 269	33 149	34 759
Application of cash and investments											
Unspent conditional transfers		–	–	–	–	–	–	–	–	8 000	5 000
Statutory requirements	2	–	–	–	–	–	–	–	(2 000)	(2 000)	(2 000)
Other working capital requirements	3	–	–	–	(8 167)	(5 202)	(5 202)	(5 202)	(3 933)	(7 964)	(9 440)
Other provisions		–	–	–	–	–	–	–	1 500	3 500	3 500
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	6 000	6 500	7 000
Total Application of cash and investments:		–	–	–	(8 167)	(5 202)	(5 202)	(5 202)	1 567	8 036	4 060
Surplus(shortfall)		2 349	2 902	4 455	34 718	31 753	31 753	31 753	29 702	25 113	30 699

8. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 58 & 59 – Funding a Municipal Budget.
9. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
10. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
11. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
12. From the table it can be seen that for the period 2008/09 to 2011/12 the surplus increase from R1.239 million to R31,713 million.
13. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2012/13 MTREF was not funded owing to the significant deficit.

14. As part of the budgeting and planning guidelines that informed the compilation of the 2012/13 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2011/12 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. For the 2012/13 financial year no provision has been made for this liability as the total unspent conditional grant liability would be spent and has been included in the 2012/2013 capital programme of the Municipality. The Municipality has applied to received the necessary roll-over approval from the National Treasury as the funding appropriation relating to the unspent conditional grants could be motivated as part of existing projects.
- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.
- Provisions for statutory requirements include VAT owing to timing differences resulting from year- end obligations.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the Municipality in 2011/12 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the City to meet its creditor obligations.
- Against other provisions an amount R6 million has been provided for the 2012/13 financial year and this increases to R7 million by 2014/15. This liability is informed by, amongst others, the supplementary pension liability.
- Long term investments consist primarily of the sinking funds for the repayment of a future borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes

directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 34 MBRR SA10 – Funding compliance measurement

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Cost of Free Basic Services provided (R'000)</u>	8									
Water (6 kilolitres per household per month)		–	–	–	–	–	–	400	422	445
Electricity/other energy (50kwh per household per month)		–	–	–	–	–	–	800	844	890
Total cost of FBS provided (minimum social package)		–	–	–	–	–	–	1 200	1 266	1 336

2.6.5.1 Cash/cash equivalent position

The Dikgatlong Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2012/13 MTREF shows –R27, 614 million, –R23,144 million and –R14,074 million for each respective financial year.

2.6.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25, on page 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should

the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been falling significantly for the period 2008/09 to 2011/12, moving from 0.9 to (0.1) with the adopted 2011/12 MTREF. As part of the 2012/13 MTREF the municipalities improving cash position causes the ratio to move upwards to 1.0 and then reduces slightly to 0.9 for the outer years. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

2.6.5.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 9.4, 8.9 and 9.0 per cent for the respective financial year of the 2012/13 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 10 per cent, with the increase in electricity at 13 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 35%, 40% and 40% per cent for each of the respective financial years. Given that the assumed collection rate was based on a 35 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the

mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.6.5.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 9.1, 10.0 and 10.3.0 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.6.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that creditors be paid within 30 days.

2.6.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 63.6, 49.5 and 58.3 per cent of own funded capital. Further details relating to the borrowing strategy of the Dikgatlong Municipality can be found on xxxxxx.

2.6.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Dikgatlong Municipality has budgeted for all transfers.

2.6.5.11 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend of 40 % in line with the Dikgatlong Municipality's policy of settling debtors accounts within 30 days.

2.6.5.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Dikgatlong Municipality's

strategy pertaining to asset management and repairs and maintenance is contained in Table 60 MBRR SA34C on page xxxxx.

2.6.5.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b on page xxxxx.

2.7 Expenditure on grants and reconciliations of unspent funds

Table 35 MBRR SA19 - Expenditure on transfers and grant programmes

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
EXPENDITURE:	1									
<u>Operating expenditure of Transfers and Grants</u>										
National Government:		20 699	27 115	34 478	30 209	36 518	36 518	48 248	51 109	54 963
Local Government Equitable Share		20 699	27 115	34 478	30 209	36 518	36 518	44 948	48 459	52 263
Finance Management		-	-	-	-	-	-	1 500	1 750	1 750
Municipal Systems Improvement		-	-	-	-	-	-	800	900	950
EPWP Incentive		-	-	-	-	-	-	1 000	-	-
Other transfers/grants [insert description]		-	-	-	-	-	-	-	-	-
Provincial Government:		-	-	-	-	-	-	1 054	1 120	1 183
Sport and Recreation		-	-	-	-	-	-	1 054	1 120	1 183
Other transfers/grants [insert description]		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
Total operating expenditure of Transfers and Grants:		20 699	27 115	34 478	30 209	36 518	36 518	49 302	52 229	56 146
<u>Capital expenditure of Transfers and Grants</u>										

National Government:	12 115	15 913	24 539	29 517	31 256	31 256	61 917	31 265	33 482
Municipal Infrastructure Grant (MIG)	12 115	15 913	24 539	28 620	30 359	30 359	59 917	29 023	30 585
Regional Bulk Infrastructure	-	-	-	897	897	897	2 000	2 242	2 897
Other capital transfers/grants	-	-	-	-	-	-	-	-	-
[insert desc]	-	-	-	-	-	-	-	-	-
Provincial Government:	-	-	-	-	-	-	-	-	-
District Municipality:	-	-	-	-	-	-	-	-	-
Other grant providers:	-	-	-	-	-	-	-	-	-
Total capital expenditure of Transfers and Grants	12 115	15 913	24 539	29 517	31 256	31 256	61 917	31 265	33 482
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	32 814	43 028	59 017	59 726	67 774	67 774	111 219	83 494	89 628

Table 36 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
<u>Operating transfers and grants:</u>	1,3									
National Government:										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		-	-	-	30 209	36 518	36 518	48 248	51 109	54 963
Conditions met - transferred to revenue		-	-	-	30 209	36 518	36 518	48 248	51 109	54 963
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
Provincial Government:										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		-	-	-	-	-	-	1 054	1 120	1 183
Conditions met - transferred to revenue		-	-	-	-	-	-	1 054	1 120	1 183
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
District Municipality:										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		-	-	-	-	-	-	-	-	-
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
Other grant providers:										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		-	-	-	-	-	-	-	-	-
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred		-	-	-	-	-	-	-	-	-

to liabilities										
Total operating transfers and grants revenue		-	-	-	30 209	36 518	36 518	49 302	52 229	56 146
Total operating transfers and grants – CTBM	2	-	-	-	-	-	-	-	-	-
Capital transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year		-	-	-	4 041	4 041	4 041	13 029	-	8 000
Current year receipts		12 115	15 913	24 539	28 620	30 359	30 359	61 917	31 265	33 482
Conditions met - transferred to revenue		12 115	15 913	24 539	32 661	34 400	34 400	74 946	31 265	41 482
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
Provincial Government:										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		-	-	-	-	-	-	-	-	-
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
District Municipality:										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		-	-	-	-	-	-	-	-	-
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
Other grant providers:										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		-	-	-	-	-	-	-	-	-
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
Total capital transfers and grants revenue		12 115	15 913	24 539	32 661	34 400	34 400	74 946	31 265	41 482
Total capital transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE		12 115	15 913	24 539	62 870	70 918	70 918	124 248	83 494	97 628
TOTAL TRANSFERS AND GRANTS – CTBM		-	-	-	-	-	-	-	-	-

2.8 Councillor and employee benefits

Table 37 MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
<u>Councillors (Political Office Bearers plus Other)</u>	1	A	B	C	D	E	F	G	H	I

Basic Salaries and Wages		1 233	1 398	1 503	684	850	850	4 087	4 453	4 853
Pension and UIF Contributions		230	237	211	-	-	-	170	179	188
Medical Aid Contributions		79	75	46	-	-	-	50	60	60
Motor Vehicle Allowance		545	617	657	-	-	-	-	-	-
			166	159	36	66	66	85	95	95
Cellphone Allowance		-								
Housing Allowances		6	10	10	41	41	41	43	44	45
Other benefits and allowances		485	451	545	259	227	227	78	79	80
Sub Total - Councillors		2 578	2 953	3 132	1 020	1 184	1 184	4 513	4 910	5 322
% increase	4		14.6%	6.0%	(67.4%)	16.1%	-	281.2%	8.8%	8.4%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		1 213	1 957	1 955	2 508	1 816	1 816	2 530	2 657	2 789
Pension and UIF Contributions		327	383	404	-	-	-	481	505	530
Medical Aid Contributions		90	93	86	-	-	-	190	264	264
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		-	342	456	-	57	57	340	420	420
Motor Vehicle Allowance	3	-	-	-	-	150	150	150	150	150
Cellphone Allowance	3	-	-	-	48	36	36	60	60	60
Housing Allowances	3	-	-	-	75	22	22	104	144	144
Other benefits and allowances	3	343	636	636	41	26	26	442	449	491
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Municipality		1 973	3 410	3 537	2 672	2 107	2 107	4 296	4 647	4 848
% increase	4		72.8%	3.7%	(24.5%)	(21.1%)	-	103.9%	8.2%	4.3%
Other Municipal Staff										
Basic Salaries and Wages		7 731	11 012	11 587	16 339	12 696	12 696	17 087	17 942	18 839
Pension and UIF Contributions		1 192	1 926	2 211	5 441	4 404	4 404	3 246	3 408	3 579
Medical Aid Contributions		964	1 365	1 411	-	-	-	1 228	1 242	1 242
Overtime		1 008	999	1 316	289	490	490	428	428	428
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	-	-	-	-	-	-	-	-	-
Cellphone Allowance	3	-	-	-	-	-	-	219	228	228
Housing Allowances	3	-	-	-	796	425	425	326	342	350
Other benefits and allowances	3	1 267	1 479	1 664	1 631	2 246	2 246	461	458	436
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
Sub Total - Other Municipal Staff		12 162	16 782	18 189	24 496	20 261	20 261	22 996	24 048	25 102
% increase	4		38.0%	8.4%	34.7%	(17.3%)	-	13.5%	4.6%	4.4%
Total Parent Municipality		16 713	23 146	24 858	28 188	23 552	23 552	31 805	33 605	35 272
			38.5%	7.4%	13.4%	(16.4%)	-	35.0%	5.7%	5.0%
Board Members of Entities										
Basic Salaries and Wages		-	-	-	-	-	-	-	-	-
Pension and UIF Contributions		-	-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	-	-	-	-	-	-	-	-	-

Cellphone Allowance	3	-	-	-	-	-	-	-	-	-
Housing Allowances	3	-	-	-	-	-	-	-	-	-
Other benefits and allowances	3	-	-	-	-	-	-	-	-	-
Board Fees		-	-	-	-	-	-	-	-	-
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
Sub Total - Board Members of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Senior Managers of Entities										
Basic Salaries and Wages		-	-	-	-	-	-	-	-	-
Pension and UIF Contributions		-	-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	-	-	-	-	-	-	-	-	-
Cellphone Allowance	3	-	-	-	-	-	-	-	-	-
Housing Allowances	3	-	-	-	-	-	-	-	-	-
Other benefits and allowances	3	-	-	-	-	-	-	-	-	-
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Other Staff of Entities										
Basic Salaries and Wages		-	-	-	-	-	-	-	-	-
Pension and UIF Contributions		-	-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	-	-	-	-	-	-	-	-	-
Cellphone Allowance	3	-	-	-	-	-	-	-	-	-
Housing Allowances	3	-	-	-	-	-	-	-	-	-
Other benefits and allowances	3	-	-	-	-	-	-	-	-	-
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
Sub Total - Other Staff of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Total Municipal Entities		-	-	-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS		16 713	23 146	24 858	28 188	23 552	23 552	31 805	33 605	35 272
% increase	4		38.5%	7.4%	13.4%	(16.4%)	-	35.0%	5.7%	5.0%
TOTAL MANAGERS AND STAFF	5	14 135	20 192	21 727	27 168	22 368	22 368	27 292	28 696	29 950

Table 38 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<u>Councillors</u>	3							
Speaker	4	-	-	-	-			-
Chief Whip		-	-	-	-			-
Executive Mayor		-	-	-	-			-
Deputy Executive Mayor		-	-	-	-			-
Executive Committee		-	-	-	-			-
Total for all other councillors		13	4 087 000	-	426 200			4 513 200
Total Councillors	8	13	4 087 000	-	426 200			4 513 200
<u>Senior Managers of the Municipality</u>	5							
Municipal Manager (MM)		1	670 000	140 700	18 000	100 000		928 700
Chief Finance Officer		1	620 000	193 560	45 560	80 000		939 120
Corporate Services Manager			620 000	193 560	45 560	80 000		939 120
Technical Services Manager			620 000	193 560	45 560	80 000		939 120
								-
								-
<i>List of each official with packages >= senior manager</i>								
Total Senior Managers of the Municipality	8	2	2 530 000	721 380	154 680	340 000		3 746 060
<u>A Heading for Each Entity</u>	6,7							
List each member of board by designation								
Total for municipal entities	8	-	-	-	-	-		-
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION		15	6 617 000	721 380	580 880	340 000		8 259 260

(Note that National Treasury has deliberately left the above table blank so as not to appear to be setting benchmarks for acceptable remuneration levels for the relevant positions. Municipalities MUST, however, provide the required information as applicable to their municipalities)

Table 39 MBRR SA24 – Summary of personnel numbers

Summary of Personnel Numbers	Ref	2010/11			Current Year 2011/12			Budget Year 2012/13		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)		13	-	13	13	-	13	13	-	13
Board Members of municipal entities	4	-	-	-	-	-	-	-	-	-
Municipal employees										
Municipal Manager and Senior Managers	5	-	-	-	-	-	-	-	-	-
	3	3	-	3	3	-	3	4	1	3
Other Managers	7	-	-	-	8	6	2	10	10	-
Professionals		27	24	3	13	13	9	14	14	9
<i>Finance</i>		14	12	2	1	1	-	2	2	-
<i>Spatial/town planning</i>		2	2	-	3	3	-	3	3	-
<i>Information Technology</i>		2	2	-	-	-	-	-	-	-
<i>Roads</i>		-	-	-	-	-	-	-	-	-
<i>Electricity</i>		-	-	-	-	-	-	-	-	-
<i>Water</i>		-	-	-	-	-	-	-	-	-
<i>Sanitation</i>		-	-	-	-	-	-	-	-	-
<i>Refuse</i>		-	-	-	-	-	-	-	-	-
<i>Other</i>		9	8	1	9	9	9	9	9	9
Technicians		98	75	23	118	112	6	118	118	-
<i>Finance</i>		3	2	1	23	17	6	23	23	-
<i>Spatial/town planning</i>		7	6	1	7	7	-	7	7	-
<i>Information Technology</i>		-	-	-	-	-	-	-	-	-
<i>Roads</i>		-	-	-	-	-	-	-	-	-
<i>Electricity</i>		-	-	-	-	-	-	-	-	-
<i>Water</i>		-	-	-	-	-	-	-	-	-
<i>Sanitation</i>		-	-	-	-	-	-	-	-	-
<i>Refuse</i>		-	-	-	-	-	-	-	-	-
<i>Other</i>		88	67	21	88	88	-	88	88	-
Clerks (Clerical and administrative)		14	7	7	23	23	-	23	23	-

Service and sales workers Skilled agricultural and fishery workers Craft and related trades Plant and Machine Operators Elementary Occupations		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
TOTAL PERSONNEL NUMBERS		155	106	49	178	154	33	182	166	25
% increase					14.8%	45.3%	(32.7%)	2.2%	7.8%	(24.2 %)
Total municipal employees headcount	6	-	-	-	-	-	-	-	-	-
Finance personnel headcount	8	-	-	-	-	-	-	-	-	-
Human Resources personnel headcount	8	-	-	-	-	-	-	-	-	-

2.9 Monthly targets for revenue, expenditure and cash flow

Table 40 MBRR SA25 - Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source																
Property rates		625	625	625	625	625	625	625	625	625	625	625	625	7 500	8 250	9 075
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		1 995	1 995	1 995	1 995	1 995	1 995	1 995	1 995	1 995	1 995	1 995	1 995	23 941	25 282	26 672
Service charges - water revenue		1 170	1 170	1 170	1 170	1 170	1 170	1 170	1 170	1 170	1 170	1 170	1 170	14 042	14 814	15 555
Service charges - sanitation revenue		251	251	251	251	251	251	251	251	251	251	251	251	3 016	3 181	3 356
Service charges - refuse revenue		564	564	564	564	564	564	564	564	564	564	564	564	6 770	7 142	7 535
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		25	25	25	25	25	25	25	25	25	25	25	25	300	350	350
Interest earned - external investments		4	4	4	4	4	4	4	4	4	4	4	4	50	60	60
Interest earned - outstanding debtors		500	500	500	500	500	500	500	500	500	500	500	500	6 000	6 500	7 000
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	20	-	-	-	-	-	-	20	150	150
Licences and permits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agency services		88	88	88	88	88	88	88	88	88	88	88	88	1 054	1 120	1 183
Transfers recognised - operational		4 234	4 234	4 234	4 234	4 234	4 234	4 234	4 234	4 234	4 234	4 234	4 234	50 802	51 533	55 463
Other revenue		19	19	19	19	19	19	19	19	19	19	19	18	225	246	269
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		9 475	9 475	9 475	9 475	9 475	9 495	9 475	9 475	9 475	9 475	9 475	9 474	113 719	118 629	126 668
Expenditure By Type																
Employee related costs		2 384	2 384	2 384	2 384	2 384	2 384	2 384	2 384	2 384	2 384	2 384	2 385	28 613	30 096	31 410
Remuneration of councillors		266	266	266	266	266	266	266	266	266	266	266	266	3 191	3 510	3 861
Debt impairment		-	-	-	-	-	-	-	-	-	-	-	6 000	6 000	6 500	7 000
Depreciation & asset impairment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance charges		25	25	25	25	25	25	25	25	25	25	25	25	294	400	400
Bulk purchases		2 083	2 083	2 083	2 083	2 083	2 083	2 083	2 083	2 083	2 083	2 083	2 083	25 001	26 376	27 687
Other materials		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services		83	83	83	83	83	83	83	83	83	83	83	83	1 000	1 200	1 300
Transfers and grants		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure		1 440	1 440	1 440	1 440	1 440	1 440	1 440	1 440	1 440	1 440	1 440	1 440	17 282	17 012	16 989
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		6 282	6 282	6 282	6 282	6 282	6 282	6 282	6 282	6 282	6 282	6 282	12 282	81 381	85 094	88 647
Surplus/(Deficit)		3 193	3 193	3 193	3 193	3 193	3 213	3 193	3 193	3 193	3 193	3 193	(2 808)	32 338	33 535	38 021
Transfers recognised - capital		3 598	3 598	3 598	3 598	3 598	3 598	3 598	3 598	3 598	3 598	3 598	3 598	43 180	71 341	73 482
Contributions recognised - capital		(6 293)	(6 293)	(6 293)	(6 293)	(6 293)	(6 293)	(6 293)	(6 293)	(6 293)	(6 293)	(6 293)	(6 293)	(75 518)	(71 569)	(73 732)
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		498	498	498	498	498	518	498	498	498	498	498	(5 503)	(0)	33 307	37 771
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	498	498	498	498	498	518	498	498	498	498	498	(5 503)	(0)	33 307	37 771

Table 41 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand																
Revenue by Vote																
Vote 1 - MAYOR AND COUNCIL		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER		5 229	5 229	5 229	5 229	5 229	5 229	5 229	5 229	5 229	5 229	5 229	5 229	62 748	67 059	72 248
Vote 4 - CORPORATE SERVICES		89	89	89	89	89	89	89	89	89	89	89	89	1 062	1 128	1 192
Vote 5 - TECHNICAL SERVICES		7 322	7 322	7 322	7 322	7 322	7 322	7 322	7 322	7 322	7 322	7 322	12 551	93 089	121 782	126 720
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue by Vote		12 639	12 639	12 639	12 639	12 639	12 639	12 639	12 639	12 639	12 639	12 639	17 868	156 899	189 970	200 160
Expenditure by Vote to be appropriated																
Vote 1 - MAYOR AND COUNCIL		621	621	621	621	621	621	621	621	621	621	621	621	7 448	7 948	8 466
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		87	87	87	87	87	87	87	87	87	87	87	87	1 049	1 238	1 285
Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER		1 831	1 831	1 831	1 831	1 831	1 831	1 831	1 831	1 831	1 831	1 831	1 831	21 969	24 747	27 824
Vote 4 - CORPORATE SERVICES		709	709	709	709	709	709	709	709	709	709	709	710	8 513	8 962	9 204
Vote 5 - TECHNICAL SERVICES		9 827	9 827	9 827	9 827	9 827	9 827	9 827	9 827	9 827	9 827	9 827	9 827	117 920	113 768	115 600
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure by Vote		13 075	13 075	13 075	13 075	13 075	13 075	13 075	13 075	13 075	13 075	13 075	13 076	156 900	156 663	162 379
Surplus/(Deficit) before assoc.		(436)	(436)	(436)	(436)	(436)	(436)	(436)	(436)	(436)	(436)	(436)	4 793	(0)	33 307	37 781
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	(436)	(436)	(436)	(436)	(436)	(436)	(436)	(436)	(436)	(436)	(436)	4 793	(0)	33 307	37 781

Table 42 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Choose name from list - Supporting Table SA27 Budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue - Standard																
<i>Governance and administration</i>		5 229	5 229	5 229	5 229	5 229	5 229	5 229	5 229	5 229	5 229	5 229	5 229	62 748	67 059	72 248
Executive and council		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Budget and treasury office		5 229	5 229	5 229	5 229	5 229	5 229	5 229	5 229	5 229	5 229	5 229	5 229	62 748	67 059	72 248
Corporate services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		93	93	93	93	93	93	93	93	93	93	93	93	1 112	1 188	1 272
Community and social services		93	93	93	93	93	93	93	93	93	93	93	93	1 112	1 188	1 272
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		3 395	3 395	3 395	3 395	3 431	3 395	3 395	3 395	3 395	3 395	3 395	3 395	40 771	22 336	21 350
Planning and development		-	-	-	-	36	-	-	-	-	-	-	0	36	38	40
Road transport		3 395	3 395	3 395	3 395	3 395	3 395	3 395	3 395	3 395	3 395	3 395	3 395	40 735	22 298	21 310
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		4 356	4 356	4 356	4 356	4 356	4 356	4 356	4 356	4 356	4 356	4 356	4 355	52 268	99 386	105 290
Electricity		2 162	2 162	2 162	2 162	2 162	2 162	2 162	2 162	2 162	2 162	2 162	2 162	25 941	29 524	31 569
Water		1 212	1 212	1 212	1 212	1 212	1 212	1 212	1 212	1 212	1 212	1 212	1 212	14 542	54 814	55 555
Waste water management		251	251	251	251	251	251	251	251	251	251	251	251	3 016	3 181	3 356
Waste management		731	731	731	731	731	731	731	731	731	731	731	730	8 770	11 867	14 810
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue - Standard		13 072	13 072	13 072	13 072	13 108	13 072	13 072	13 072	13 072	13 072	13 072	13 071	156 899	189 970	200 160
Expenditure - Standard																
<i>Governance and administration</i>		3 129	3 129	3 129	3 129	3 129	3 129	3 129	3 129	3 129	3 129	3 129	3 129	37 545	41 364	45 219
Executive and council		708	708	708	708	708	708	708	708	708	708	708	708	8 497	9 186	9 751
Budget and treasury office		1 831	1 831	1 831	1 831	1 831	1 831	1 831	1 831	1 831	1 831	1 831	1 831	21 969	24 747	27 824
Corporate services		590	590	590	590	590	590	590	590	590	590	590	590	7 079	7 431	7 644
<i>Community and public safety</i>		303	303	303	303	303	303	303	303	303	303	303	303	3 632	3 841	3 940
Community and social services		303	303	303	303	303	303	303	303	303	303	303	303	3 632	3 841	3 940
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		6 326	6 326	6 326	6 326	6 326	6 326	6 326	6 326	6 326	6 326	6 326	6 326	75 916	29 017	28 293
Planning and development		1 604	1 604	1 604	1 604	1 604	1 604	1 604	1 604	1 604	1 604	1 604	1 603	19 242	5 944	6 174
Road transport		4 723	4 723	4 723	4 723	4 723	4 723	4 723	4 723	4 723	4 723	4 723	4 723	56 674	23 073	22 119
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		3 317	3 317	3 317	3 317	3 317	3 317	3 317	3 317	3 317	3 317	3 317	3 317	39 806	82 441	84 927
Electricity		1 967	1 967	1 967	1 967	1 967	1 967	1 967	1 967	1 967	1 967	1 967	1 967	23 602	26 037	27 881
Water		868	868	868	868	868	868	868	868	868	868	868	868	10 419	50 422	50 805
Waste water management		445	445	445	445	445	445	445	445	445	445	445	445	5 343	5 585	5 825
Waste management		37	37	37	37	37	37	37	37	37	37	37	37	443	397	417
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard		13 075	13 075	13 075	13 075	13 075	13 075	13 075	13 075	13 075	13 075	13 075	13 075	156 900	156 663	162 379
Surplus/(Deficit) before assoc.		(3)	(3)	(3)	(3)	33	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(0)	33 307	37 781
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
March 2011	1	(3)	(3)	(3)	(3)	33	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(0)	33 307	37 781

Table 43 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

Choose name from list - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)																
Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Multi-year expenditure to be appropriated	1															
Vote 1 - MAYOR AND COUNCIL		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - TECHNICAL SERVICES		4 193	4 193	4 193	4 193	4 193	4 193	4 193	4 193	4 193	4 193	4 193	4 193	50 317	67 023	48 635
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	2	4 193	4 193	4 193	4 193	4 193	4 193	4 193	4 193	4 193	4 193	4 193	4 193	50 317	67 023	48 635
Single-year expenditure to be appropriated																
Vote 1 - MAYOR AND COUNCIL		-	-	18	-	-	-	-	-	-	-	-	-	18	-	-
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER		-	-	50	-	-	-	-	-	-	-	-	-	50	-	-
Vote 4 - CORPORATE SERVICES		-	-	236	-	-	-	-	-	-	-	-	-	236	79	20
Vote 5 - TECHNICAL SERVICES		2 075	2 075	2 075	2 075	2 075	2 075	2 075	2 075	2 075	2 075	2 075	2 075	24 897	4 467	25 077
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	2	2 075	2 075	2 379	2 075	2 075	2 075	2 075	2 075	2 075	2 075	2 075	2 075	25 201	4 546	25 097
Total Capital Expenditure	2	6 268	6 268	6 572	6 268	6 268	6 268	6 268	6 268	6 268	6 268	6 268	6 268	75 518	71 569	73 732

Table 44 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital Expenditure - Standard	1															
<i>Governance and administration</i>		-	-	304	-	-	-	-	-	-	-	-	-	304	79	20
Executive and council		-	-	18	-	-	-	-	-	-	-	-	-	18	-	-
Budget and treasury office		-	-	50	-	-	-	-	-	-	-	-	-	50	-	-
Corporate services		-	-	236	-	-	-	-	-	-	-	-	-	236	79	20
<i>Community and public safety</i>		1 144	1 144	1 144	1 144	1 144	1 144	1 144	1 144	1 144	1 144	1 144	1 144	13 730	210	205
Community and social services		18	18	18	18	18	18	18	18	18	18	18	18	220	210	205
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing		1 126	1 126	1 126	1 126	1 126	1 126	1 126	1 126	1 126	1 126	1 126	1 126	13 510	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		4 674	4 674	4 674	4 674	4 674	4 674	4 674	4 674	4 674	4 674	4 674	4 674	56 087	22 308	21 320
Planning and development		14	14	14	14	14	14	14	14	14	14	14	14	170	10	10
Road transport		4 660	4 660	4 660	4 660	4 660	4 660	4 660	4 660	4 660	4 660	4 660	4 660	55 917	22 298	21 310
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		450	450	450	450	450	450	450	450	450	450	450	450	5 397	48 972	52 187
Electricity		241	241	241	241	241	241	241	241	241	241	241	241	2 897	4 242	4 897
Water		42	42	42	42	42	42	42	42	42	42	42	42	500	40 005	40 015
Waste water management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management		167	167	167	167	167	167	167	167	167	167	167	167	2 000	4 725	7 275
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	2	6 268	6 268	6 572	6 268	6 268	6 268	6 268	6 268	6 268	6 268	6 268	6 268	75 518	71 569	73 732

Table 45 MBRR SA30 - Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand															
Cash Receipts By Source													1		
Property rates	287	250	250	250	250	250	250	250	250	250	250	652	3 439	4 722	5 032
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	791	791	791	791	791	791	791	791	791	791	791	792	9 496	13 013	14 468
Service charges - water revenue	468	468	468	468	468	468	468	468	468	468	468	468	5 617	7 625	8 702
Service charges - sanitation revenue	101	101	101	101	101	101	101	101	101	101	101	101	1 206	1 637	1 877
Service charges - refuse revenue	226	226	226	226	226	226	226	226	226	226	226	226	2 708	3 676	4 215
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	25	25	25	25	25	25	25	25	25	25	25	25	300	350	350
Interest earned - external investments	4	4	4	4	4	4	4	4	4	4	4	4	50	60	60
Interest earned - outstanding debtors	200	200	200	200	200	200	200	200	200	200	200	200	2 400	2 600	2 800
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	2	2	2	2	2	2	2	2	2	2	2	2	20	150	150
Licences and permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agency services	1 054	-	-	-	-	-	-	-	-	-	-	-	1 054	1 120	1 183
Transfer receipts - operational	20 321	-	-	-	-	15 241	-	-	15 241	-	-	-	50 802	51 533	55 563
Other revenue	16	16	16	16	16	16	16	16	16	16	16	52	225	246	269
Cash Receipts by Source	23 494	2 082	2 082	2 082	2 082	17 323	2 082	2 082	17 323	2 082	2 082	2 521	77 318	86 732	94 669
Other Cash Flows by Source															
Transfer receipts - capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & Contributed	3 598	3 598	3 598	3 598	3 598	3 598	3 598	3 598	3 598	3 598	3 598	3 598	43 180	71 341	73 482
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	125	125	125	125	125	125	125	125	125	125	125	125	1 500	1 500	1 500
Decrease (increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts by Source	27 217	5 805	5 805	5 805	5 805	21 046	5 805	5 805	21 046	5 805	5 805	6 245	121 998	159 573	169 651
Cash Payments by Type															
Employee related costs	2 384	2 384	2 384	2 384	2 384	2 384	2 384	2 384	2 384	2 384	2 384	2 384	28 613	30 096	31 410
Remuneration of councillors	266	266	266	266	266	266	266	266	266	266	266	266	3 191	3 510	3 861
Finance charges	25	25	25	25	25	25	25	25	25	25	25	25	294	400	400
Bulk purchases - Electricity	1 583	1 583	1 583	1 583	1 583	1 583	1 583	1 583	1 583	1 583	1 583	1 583	19 001	20 046	21 148
Bulk purchases - Water & Sewer	500	500	500	500	500	500	500	500	500	500	500	500	6 000	6 330	6 539
Other materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services	83	83	83	83	83	83	83	83	83	83	83	83	1 000	1 200	1 300
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	1 440	1 440	1 440	1 440	1 440	1 440	1 440	1 440	1 440	1 440	1 440	1 440	17 282	17 012	16 989
Cash Payments by Type	6 282	6 282	6 282	6 282	6 282	6 282	6 282	6 282	6 282	6 282	6 282	6 282	75 381	78 594	81 647
Other Cash Flows/Payments by Type															
Capital assets	6 293	6 293	6 293	6 293	6 293	6 293	6 293	6 293	6 293	6 293	6 293	6 293	75 518	71 341	73 482
March 2011 borrowing	250	250	250	250	250	250	250	250	250	250	250	250	3 000	3 000	3 000
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Payments by Type	12 825	12 825	12 825	12 825	12 825	12 825	12 825	12 825	12 825	12 825	12 825	12 825	153 899	152 935	158 129
NET INCREASE/(DECREASE) IN CASH HELD	14 392	(7 019)	(7 019)	(7 019)	(7 019)	8 221	(7 019)	(7 019)	8 221	(7 019)	(7 019)	(6 580)	(31 901)	6 638	11 522

2.10 Annual budgets and SDBIPs – internal departments

2.10.1 Water Services Department – Vote 14

The department is primarily responsible for the distribution of potable water within the municipal boundary, which includes the purification of raw water, maintenance of the reticulation network and implementation of the departmental capital programme.

2.11 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.12 Capital expenditure details

The following three tables present details of the Dikgatlong Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 46 MBRR SA 34a - Capital expenditure on new assets by asset class

Description R thousand	Ref 1	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Capital expenditure on new assets by Asset Class/Sub-class</u>										
<u>Infrastructure</u>		11 819	15 867	23 633	28 207	29 626	29 626	61 314	71 265	73 482
Infrastructure - Road transport		2 644	2 238	5 000	27 310	28 729	28 729	55 917	22 298	21 310
<i>Roads, Pavements & Bridges</i>		2 644	2 238	5 000	27 310	28 729	28 729	55 917	22 298	21 310
Infrastructure - Electricity		3 795	952	897	897	897	897	2 897	4 242	4 897
<i>Transmission & Reticulation</i>		3 795	952	897	897	897	897	2 897	4 242	4 897
Infrastructure - Water		2 149	7 902	12 400	–	–	–	500	40 000	40 000
<i>Reticulation</i>		2 149	7 902	12 400	–	–	–	500	40 000	40 000
Infrastructure - Sanitation		3 231	4 775	5 336	–	–	–	2 000	4 725	7 275
<i>Reticulation</i>		3 231	4 775	5 336	–	–	–	2 000	4 725	7 275
<u>Community</u>		224	–	600	–	–	–	–	–	–
Other		224	–	600	–	–	–	–	–	–
<u>Investment properties</u>		–	–	–	–	–	–	13 500	–	–
Other		–	–	–	–	–	–	13 500	–	–

<u>Other assets</u>		605	647	907	-	-	-	520	304	250
Specialised vehicles	10	533	601	601	-	-	-	-	-	-
Plant & equipment		533	601	601	-	-	-	220	210	205
Computers - hardware/equipment		-	-	-	-	-	-	50	40	10
Furniture and other office equipment		72	46	306	-	-	-	250	54	35
<u>Intangibles</u>		-	-	-	-	-	-	184	-	-
Computers - software & programming		-	-	-	-	-	-	184	-	-
Total Capital Expenditure on new assets	1	12 648	16 514	25 140	28 207	29 626	29 626	75 518	71 569	73 732

Table 47 MBRR SA34c - Repairs and maintenance expenditure by asset class

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1									
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>										
-										
<u>Infrastructure</u>		1 054	1 092	1 208	-	-	-	250	300	840
Infrastructure - Road transport		126	128	141	-	-	-	50	60	60
<i>Roads, Pavements & Bridges</i>		116	116	128	-	-	-	50	60	60
<i>Storm water</i>		10	12	13	-	-	-	-	-	-
Infrastructure - Electricity		692	757	832	-	-	-	50	60	60
<i>Transmission & Reticulation</i>		680	743	816	-	-	-	50	60	60
<i>Street Lighting</i>		12	14	16	-	-	-	-	-	-
Infrastructure - Water		146	159	183	-	-	-	50	60	60
<i>Reticulation</i>		146	159	183	-	-	-	50	60	60
Infrastructure - Sanitation		-	-	-	-	-	-	50	60	600
<i>Reticulation</i>		-	-	-	-	-	-	50	60	600
Infrastructure - Other		90	48	52	-	-	-	50	60	60
<i>Waste Management</i>		90	48	52	-	-	-	50	60	60
<u>Community</u>		140	346	374	-	-	-	328	384	391
Community halls		-	-	-	-	-	-	200	250	250
Cemeteries		-	-	-	-	-	-	60	60	60
Other		140	346	374	-	-	-	68	74	81
<u>Heritage assets</u>		537	665	737	-	-	-	-	-	-
Buildings		537	665	737	-	-	-	-	-	-

<u>Other assets</u>		2 279	1 602	1 912	1 695	1 465	1 465	250	100	50
Specialised vehicles	10	2 279	1 602	1 912	-	-	-	-	-	-
Civic Land and Buildings		-	-	-	-	-	-	250	100	50
Other		-	-	-	1 695	1 465	1 465	-	-	-
Total Repairs and Maintenance Expenditure	1	4 009	3 705	4 232	1 695	1 465	1 465	828	784	1 281

<u>Specialised vehicles</u>		2 279	1 602	1 912	-	-	-	-	-	-
Refuse		2 279	1 602	1 912	-	-	-	-	-	-

<i>R&M as a % of PPE</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	1.2%	1.9%
<i>R&M as % Operating Expenditure</i>		8.8%	6.6%	6.2%	2.4%	1.9%	1.9%	1.0%	0.9%	1.4%

Table 48 MBRR SA35 - Future financial implications of the capital budget

Vote Description	Ref	2012/13 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	Forecast 2015/16	Forecast 2016/17	Forecast 2017/18	Present value
R thousand								
Capital expenditure	1							
Vote 1 - MAYOR AND COUNCIL		18	-	-	250	300	50	-
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		-	-	-	10	150	20	-
Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER		50	-	-	150	200	250	-
Vote 4 - CORPORATE SERVICES		236	79	20	60	150	200	-
Vote 5 - TECHNICAL SERVICES		75 214	71 490	73 712	84 769	97 484	112 107	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-
List entity summary if applicable		-	-	-	-	-	-	-
Total Capital Expenditure		75 518	71 569	73 732	85 239	98 284	112 627	-
Future operational costs by vote	2							
Vote 1 - MAYOR AND COUNCIL		7 430	7 948	8 466	9 313	10 244	11 268	-
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		1 049	1 238	1 285	1 414	1 555	1 710	-
Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER		19 994	20 022	20 549	22 604	24 864	27 351	-
Vote 4 - CORPORATE SERVICES		8 277	8 883	9 184	10 102	11 113	12 224	-
Vote 5 - TECHNICAL SERVICES		44 716	47 003	49 163	54 079	59 487	65 436	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-
List entity summary if applicable		-	-	-	-	-	-	-
Total future operational costs		81 467	85 094	88 647	97 512	107 263	117 989	-
Future revenue by source	3							
Property rates		7 500	8 250	9 075	9 983	10 981	12 079	-
Property rates - penalties & collection charges		-	-	-	-	-	-	-
Service charges - electricity revenue		23 941	25 282	26 672	29 339	32 273	35 500	-
Service charges - water revenue		14 042	14 814	15 555	17 111	18 822	20 704	-
Service charges - sanitation revenue		3 016	3 181	3 356	3 692	4 061	4 467	-
Service charges - refuse revenue		6 770	7 142	7 535	8 289	9 117	10 029	-
Service charges - other		-	-	-	-	-	-	-
Rental of facilities and equipment		300	350	350	400	400	450	-
Other Revenue - operational		58 236	59 609	67 125	73 838	81 221	89 343	-
Other Revenue - capital		43 180	71 341	73 482	80 830	88 913	97 805	-
Total future revenue		156 985	189 969	203 150	223 480	245 788	270 377	-
Net Financial Implications		(0)	(33 306)	(40 771)	(40 730)	(40 241)	(39 761)	-

Table 49 MBRR SA36 - Detailed capital budget per municipal vote

Municipal Vote/Capital project	Ref	Program/Project description	Project number	IDP Goal code 2	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	GPS co-ordinates	Total Project Estimate	Prior year outcomes		2012/13 Medium Term Revenue & Expenditure Framework			Project Information	
										Audited Outcome 2010/11	Current Year 2011/12 Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	Ward location	New or renewal
Parent municipality:																
<i>List all capital projects grouped by Municipal Vote</i>																
Spiskopweg: Upgrading of Road and Storm		Upgrading of Road and Storm Water			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		13 500	-	13 500	13 500	-	-	3	New
Upgrading of Water Purification Plant, Pipeline		Upgrading of Road and Storm Water			Yes	Infrastructure - Water	Water purification		40 500	-	-	500	20 000	20 000	4	New
Building of Oxidation Pond (Holpan, Stillwater)		Building of Oxidation Ponds			No	Infrastructure - Water	Reticulation		40 000	-	-	-	20 000	20 000	4	New
Electrification of Proteahof 125		Electrification			Yes	Infrastructure - Electricity	Transmission & Reticulation		897	-	897	897	-	-	7	New
Electrification of Londlands 186		Electrification			Yes	Infrastructure - Electricity	Transmission & Reticulation		1 860	-	1 860	-	-	-	5	New
Electrification of Proteahof 125 (phase 2)		Electrification			Yes	Infrastructure - Electricity	Transmission & Reticulation		1 250	-	-	140	1 110	-	7	New
Bulk Electrification		Electrification			No	Infrastructure - Electricity	Transmission & Reticulation		4 000	-	-	-	2 000	2 000	1,2&3	New
Windsorion: Upgrading of Roads and Storm		Upgrading of Road and Storm Water			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		81 000	-	8 100	8 100	-	-	4	New
Rookoppies: Upgrading of Road and Storm		Upgrading of Road and Storm Water			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		23 000	-	18 118	12 000	4 000	-	6	New
Longlands: Upgrading of Road and Storm		Upgrading of Road and Storm Water			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		23 000	-	18 118	12 000	4 000	-	5	New
Holpan: Provision of Roads and Stormwater		Upgrading of Road and Storm Water			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		3 500	-	3 000	3 000	275	-	4	New
Stillwater: Provision of roads		Upgrading of Road and Storm Water			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		18 118	-	18 118	6 100	10 000	-	4	New
Proteahof: Upgrading of Roads and Storm		Upgrading of Road and Storm Water			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		18 118	-	12 500	12 717	4 023	1 360	7	New
Windsorion: Upgrading of Roads and Storm		Upgrading of Road and Storm Water			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		19 950	-	-	-	-	19 950	4	New
Feasibility studies landfill site (Stillwater, Holpan)		Feasibility Study			Yes	Infrastructure - Other	Waste Management		2 000	-	-	2 000	-	-	4&3	New
Landfill projects		Construction of Landfill Sites			No	Infrastructure - Other	Waste Management		30 000	-	-	-	4 725	7 275	4&3	New
Parent Capital expenditure	1											72 814	70 133	70 585		
Entities:																
<i>List all capital projects grouped by Entity</i>																
Entity A									-	-	-	-	-	-		
Water project A									-	-	-	-	-	-		
Entity B									-	-	-	-	-	-		
Electricity project B									-	-	-	-	-	-		
Entity Capital expenditure									-	-	-	-	-	-		
Total Capital expenditure									-	92 351	92 351	72 814	70 133	70 585		

2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format has not been fully complied with on a monthly basis, however with the appointment of the Compliance Officer compliance relating to reporting to the National Treasury has fairly improved. Section 71 reporting to the Mayor (within 10 working days) has progressively improved. The municipality is planning to upgrade its website to improve reporting to all stakeholders which will includes monthly published financial performance on the municipalities website.
2. Internship programme
The Dikgatlong Municipality is participating in the Municipal Financial Management Internship programme and has employed four (4) interns undergoing training in various divisions of the Financial Services Department. Of the four interns one has received permanent employment somewhere and the other three is continuing with they internship programme. The municipality is envisaging to employ all three on a permanent basis once they contracts expire during the 2012/2013 financial year. This was the first time the municipality has participated in the programme and is envisaging in extending the programme and also to fund some additional interns and learners from its own operating budget during 2012/2013.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA during the 2011/2012 financial year and are fully functional represented by the Compliance Officer.
4. Audit Committee
A Shared Audit Committee under the Frances Baard District Municipality has been established and is fully functional. The Shared Audit Committee is represented of three (3) municipalities within the district namely Dikgatlong Municipality, Magareng Municipality and the Phokwane Municipality.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2012/13 MTREF in May 2012 directly aligned and informed by the 2012/13 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The municipality has with the assistance of Provincial Treasury, National Treasury and the Frances Baard District municipality introduce the MFMA training module in electronic format is presented on an ongoing basis.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.14 Other supporting documents

Table 504 MBRR Table SA1 - Supporting detail to budgeted financial performance

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand											
REVENUE ITEMS:											
<u>Property rates</u>	6										
Total Property Rates		3 568	3 889	4 200	7 500	7 500	7 500	7 500	7 500	8 250	9 075
Net Property Rates		3 568	3 889	4 200	7 500	7 500	7 500	7 500	7 500	8 250	9 075
<u>Service charges - electricity revenue</u>	6										
Total Service charges - electricity revenue		8 911	12 030	14 977	17 000	17 000	17 000	17 000	23 941	25 282	26 672
Net Service charges - electricity revenue		8 911	12 030	14 977	17 000	17 000	17 000	17 000	23 941	25 282	26 672
<u>Service charges - water revenue</u>	6										
Total Service charges - water revenue		6 294	6 744	7 282	5 000	5 000	5 000	5 000	14 042	14 814	15 555
Net Service charges - water revenue		6 294	6 744	7 282	5 000	5 000	5 000	5 000	14 042	14 814	15 555
<u>Service charges - sanitation revenue</u>	6										
Total Service charges - sanitation revenue		1 820	2 111	2 280	2 000	2 000	2 000	2 000	3 016	3 181	3 356
Net Service charges - sanitation revenue		1 820	2 111	2 280	2 000	2 000	2 000	2 000	3 016	3 181	3 356
<u>Service charges - refuse revenue</u>	6										
Total refuse removal revenue		3 770	4 147	4 479	2 000	2 000	2 000	2 000	6 770	7 142	7 535
Net Service charges - refuse revenue		3 770	4 147	4 479	2 000	2 000	2 000	2 000	6 770	7 142	7 535
<u>Other Revenue by source</u>											
Sale of graves		23	25	28	–	–	–	–	50	60	80
Sale of sand		5	6	12	–	–	–	–	100	100	100
Entrance Fees - Resorts		68	73	70	–	–	–	–	–	–	–
Building Plans		20	20	22	–	–	–	–	20	21	22
Commonage Diggings		9	–	–	–	–	–	–	–	–	–
Sundries Income		800	–	–	648	648	648	648	49	60	61
Valuation Certificates		–	2	3	–	–	–	–	–	–	–
Photocopies		14	15	15	–	–	–	–	5	5	6
Total 'Other' Revenue	1	939	142	149	648	648	648	648	225	246	269
EXPENDITURE ITEMS:											
<u>Employee related costs</u>	2										
Basic Salaries and Wages		10 704	12 969	13 542	19 531	15 362	15 362	15 362	20 513	21 541	22 620
Pension and UIF Contributions		2 471	2 789	3 088	5 441	4 404	4 404	4 404	3 898	4 093	4 298
Medical Aid Contributions		1 299	1 509	1 542					1 469	1 566	1 566

Overtime	822	999	1 316	289	490	490	490	428	428	428	
Performance Bonus	1 059	1 230	1 420	–	–	–	–	341	401	401	
Motor Vehicle Allowance	1 113	1 187	1 124	–	–	–	–	150	150	150	
Cellphone Allowance	6	380	453	–	–	–	–	364	383	383	
Housing Allowances	207	380	301	–	–	–	–	473	530	539	
Other benefits and allowances	335	338	583	2 427	2 671	2 671	2 671	978	1 004	1 025	
Payments in lieu of leave	107	908	948	–	–	–	–	–	–	–	
sub-total	5	18 122	22 690	24 317	27 688	22 927	22 927	22 927	28 613	30 096	31 410
Less: Employees costs capitalised to PPE		–	–	–				–	–	–	
Total Employee related costs	1	18 122	22 690	24 317	27 688	22 927	22 927	22 927	28 613	30 096	31 410
Contributions recognised - capital											
Capital projects - Electricity		(3 795)	(952)	(897)	(897)	(897)	(897)	(897+)	(2 897)	(4 242)	(4 897)
Capital projects - Town Planning		(224)	–	(600)	–	–	–	–	–	(40 005)	–
Capital Projects - Water		(2 149)	(7 902)	(12 400)	–	–	–	–	(500)		(40 015)
Sanitation		(3 231)	(4 775)	(5 336)	–	–	–	–	–	–	–
Stormwater Drainage		(2 644)	(2 238)	(5 000)	–	–	–	–	–	–	–
Other Capital		(72)	(46)	(306)	(27 723)	(27 723)	(27 723)	(27 723)	(72 121)	(27 322)	(28 820)
Total Contributions recognised – capital		(12 115)	(15 913)	(24 539)	(28 620)	(30 359)	(30 359)	(30 359)	(75 518)	(71 569)	(73 732)
Depreciation & asset impairment											
Total Depreciation & asset impairment	1	–	–	–	–	–	–	–	–	–	–
Bulk purchases											
Electricity Bulk Purchases		7 027	9 419	12 002	12 000	16 800	16 800	16 800	19 001	20 046	21 148
Water Bulk Purchases		4 824	5 500	7 940	6 000	6 000	6 000	6 000	6 330	6 539	
Total bulk purchases	1	11 851	14 919	19 942	18 000	22 800	22 800	22 800	25 001	26 376	27 687
Transfers and grants											
Total transfers and grants	1	–	–	–	–	–	–	–	–	–	–
Contracted services											
Security Outsources		816	1 200	1 320	–	–	–	–	1 000	1 200	1 300
sub-total	1	816	1 200	1 320	–	–	–	–	1 000	1 200	1 300
Allocations to organs of state:											
Total contracted services		816	1 200	1 320	–	–	–	–	1 000	1 200	1 300
Other Expenditure By Type											
Consultant fees		46	838	932	1 920	1 820	1 820	1 820	5 195	4 130	3 660
Audit fees		506	806	918	750	1 000	1 000	1 000	2 000	2 200	2 300
General expenses	3	3 041	3 408	3 568	15 709	21 479	21 479	21 479	2 085	2 186	2 190
Advertisement		87	80	88	–	–	–	–	156	163	123
Subscriptions		149	178	181	–	–	–	–	–	–	–

<i>Training</i>		1 353	923	1 157	-	-	-	-	481	530	575
<i>Functions and Events</i>		65	70	112	-	-	-	-	-	-	-
<i>Postage and Telephone</i>		943	1 081	1 063	-	-	-	-	516	593	593
<i>Licenses - Computers</i>		222	324	458	-	-	-	-	60	70	70
<i>Insurance</i>		522	780	870	-	-	-	-	750	800	850
<i>Indigent Allocation</i>		3 428	2 517	2 578	-	-	-	-	1 270	1 346	1 416
<i>Ward Committee Cost</i>		123	131	1 034	-	-	-	-	840	840	840
<i>Special Programmes</i>		90	90	90	-	-	-	-	680	800	900
<i>Mayoral Fund</i>		75	84	91	-	-	-	-	-	-	-
<i>Office expenses</i>		-	60	60	-	-	-	-	-	-	-
<i>Subsistence and Travelling</i>		495	777	961	-	-	-	-	731	777	767
<i>Stationery</i>		296	335	364	-	-	-	-	106	110	111
<i>Motor vehicle Fuels</i>		-	-	-	-	-	-	-	888	671	730
<i>Motor Vehicle licences</i>		-	-	-	-	-	-	-	14	14	14
<i>Accommodation</i>		-	-	-	-	-	-	-	416	505	502
<i>Affiliation Fees (Salga Memberships)</i>		-	-	-	-	-	-	-	450	500	550
<i>Catering</i>		-	-	-	-	-	-	-	138	151	167
<i>Protective Clothing</i>		-	-	-	-	-	-	-	62	62	62
<i>Chemicals</i>		-	-	-	-	-	-	-	433	553	553
<i>Photography</i>		-	-	-	-	-	-	-	12	13	17
Total 'Other' Expenditure	1	11 441	12 483	14 526	18 379	24 299	24 299	24 299	17 282	17 012	16 989

Repairs and Maintenance by Expenditure Item	8										
Employee related costs		-	-	-	-	-	-	-	10	10	10
Other materials		-	-	-	-	-	-	-	277	330	333
Contracted Services		-	-	-	-	-	-	-	500	400	350
Other Expenditure		4 009	3 705	4 232	1 695	1 465	1 465	1 465	41	45	49
Total Repairs and Maintenance Expenditure	9	4 009	3 705	4 232	1 695	1 465	1 465	1 465	828	784	741

Table 515 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

Description	Ref	Vote 1 - MAYOR AND COUNCIL	Vote 2 - OFFICE OF THE MUNICIPAL MANAGER	Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER (CFO)	Vote 4 - CORPORATE SERVICES	Vote 5 - TECHNICAL SERVICES	Total
R thousand	1						
Revenue By Source							
Property rates		-	-	7 500	-	-	7 500
Property rates - penalties & collection charges		-	-	-	-	-	-
Service charges - electricity revenue		-	-	-	-	23 941	23 941
Service charges - water revenue		-	-	-	-	14 042	14 042
Service charges - sanitation revenue		-	-	-	-	3 016	3 016
Service charges - refuse revenue		-	-	-	-	6 770	6 770
Service charges – other		-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	300	300
Interest earned - external investments		-	-	50	-	-	50
Interest earned - outstanding debtors		-	-	6 000	-	-	6 000
Fines		-	-	20	-	-	20
Agency services		-	-	-	1 054	-	1 054
Other revenue		-	-	224	-	-	224
Transfers recognised – operational		-	-	50 802	-	-	50 802
Gains on disposal of PPE		-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		-	-	64 596	1 054	48 068	113 718
Expenditure By Type	-						
Employee related costs		1 322	929	5 548	5 132	15 683	28 613
Remuneration of councillors		3 191	-	-	-	-	3 191
Debt impairment		-	-	6 000	-	-	6 000
Finance charges		-	-	150	-	144	294
Bulk purchases		-	-	-	-	25 001	25 001
Contracted services		200	-	4 150	500	345	5 195
Other expenditure		2 717	324	4 061	2 441	3 544	13 088
Total Expenditure		7 431	1 253	19 909	8 073	44 716	81 382
Surplus/(Deficit)		(7 431)	(1 253)	44 687	(7 019)	3 352	32 337
Transfers recognised – capital		-	-	-	-	43 180	43 180
Contributions recognised – capital		(18)	(30)	(50)	(206)	(75 214)	(75 518)
Surplus/(Deficit) after capital transfers & contributions		(7 449)	(1 283)	44 637	(7 225)	(28 682)	(1)

Table 52 MBRR Table SA3 – Supporting detail to Statement of Financial Position

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand											
ASSETS											
<u>Call investment deposits</u>											
Call deposits < 90 days		-	-	-	18 298	18 298	18 298	18 298	20 144	21 252	21 805
Other current investments > 90 days		-	-	-	-	-	-	-	-	-	-
Total Call investment deposits	2	-	-	-	18 298	18 298	18 298	18 298	20 144	21 252	21 805
<u>Consumer debtors</u>											
Consumer debtors		-	-	-	17 478	17 478	17 478	17 478	18 351	21 104	22 265
<u>Less: Provision for debt impairment</u>		-	-	-	2 606	2 606	2 606	2 606	6 000	6 500	7 000
Total Consumer debtors	2	-	-	-	20 084	20 084	20 084	20 084	24 351	27 604	29 265
<u>Debt impairment provision</u>											
Balance at the beginning of the year		-	-	-	-	-	-	-	2 606	8 606	15 106
Contributions to the provision		-	-	-	2 606	2 606	2 606	2 606	2 000	2 500	3 000
Bad debts written off		-	-	-	-	-	-	-	4 000	4 000	4 000
Balance at end of year		-	-	-	2 606	2 606	2 606	2 606	8 606	15 106	22 106
<u>Property, plant and equipment (PPE)</u>											
PPE at cost/valuation (excl. finance leases)		-	-	-	-	-	-	-	75 518	71 569	73 732
<u>Less: Accumulated depreciation</u>		-	-	-	-	-	-	-	1 888	3 677	5 520
Total Property, plant and equipment (PPE)	2	-	-	-	-	-	-	-	73 630	67 892	68 212
LIABILITIES											
<u>Current liabilities – Borrowing</u>											
Current portion of long-term liabilities					2 545	2 545	2 545	2 545	2 799	2 956	3 252
Total Current liabilities – Borrowing		-	-	-	2 545	2 545	2 545	2 545	2 799	2 956	3 252
<u>Trade and other payables</u>											
Trade and other creditors		-	-	-	48 753	48 753	48 753	48 753	5 000	5 000	5 000
Unspent conditional transfers		-	-	-	-	-	-	-	-	8 000	5 000
VAT		-	-	-	1 767	1 767	1 767	1 767	2 000	2 000	2 000
Total Trade and other payables	2	-	-	-	50 520	50 520	50 520	50 520	7 000	15 000	12 000

Non current liabilities – Borrowing											
Total Non current liabilities – Borrowing		-	-	-	-	-	-	-	-	-	-
Provisions - non-current											
Refuse landfill site rehabilitation		-	-	-	-	-	-	-	2 000	2 000	
Other		-	-	-	1 102	1 102	1 102	1 102	1 500	1 500	
Total Provisions - non-current		-	-	-	1 102	1 102	1 102	1 102	1 500	3 500	3 500
CHANGES IN NET ASSETS											
Accumulated Surplus/(Deficit)											
Accumulated Surplus/(Deficit) - opening balance		-	-	-	11 687	11 687	11 687	11 687	11 687	21 187	21 187
GRAP adjustments		-	-	-	-	-	-	-	9 500	-	-
Restated balance		-	-	-	11 687	11 687	11 687	11 687	21 187	21 187	21 187
Surplus/(Deficit)		5 914	2 549	2 033	(0)	0	(0)	(0)	(0)	33 307	37 771
Appropriations to Reserves		-	-	-	-	-	-	-	3 500	4 500	5 500
Accumulated Surplus/(Deficit)	1	5 914	2 549	2 033	11 686	11 687	11 686	11 686	24 686	58 993	64 458
Reserves	-										
Total Reserves	2	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	5 914	2 549	2 033	11 686	11 687	11 686	11 686	24 686	58 993	64 458

Total capital expenditure includes expenditure on nationally significant priorities:

Provision of basic services											

2.15 Municipal manager's quality certificate

I, municipal manager of Dikgatlong Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal manager of Dikgatlong Municipality (NC092)

Signature _____

Date _____